

**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 equity markets in Asia moved lower on Thursday while USD rebounded and long-dated US Treasury yields rose, after Fed Chair Janet Yellen adopted a hawkish tone in a speech to the Commonwealth Club of California yesterday signalling that the Central Bank is poised to pursue a path of steady interest rate hikes. In spite of today's up move, the DXY index remained below the recent peak on market anxiety ahead of US President elect Donald Trump's inauguration on Friday. Focus today is on the ECB monetary policy meeting, where the Central Bank is expected to stay put on its monetary policy and President Mario Draghi is anticipated to adopt a dovish stance stressing that risks to the growth outlook are skewed to the downside and underlying inflation remains weak.

**GREECE:** According to press reports, during the 12 January Euroworking Group (EWG), European officials discussed the possibility of the departure of the IMF from Greece's bailout programme expressing various positions on the subject and presenting potential consequences that this may cause. In any case, European officials are said to argue that a potential withdrawal of the Fund would be a rather negative development that would potentially require a new deal which could take months to materialise, most probably not before the German elections in September 2017. In spite of the delays caused by the uncertainty regarding the IMF's participation in the programme, Greece's primary target remains the completion of the 2<sup>nd</sup> programme review by end-February so that Greek eligible bonds can be included in the ECB QE programme in March.

**SOUTH EASTERN EUROPE**

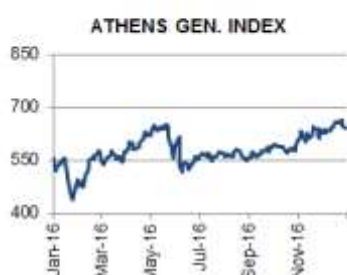
**CYPRUS:** Tourist arrivals reached 3.2mn in 2016, setting an all-time record high in the history of the Republic.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major Asian equity markets moved lower on Thursday while USD rebounded and long-dated US Treasury yields rose, after Fed Chair Janet Yellen adopted a hawkish tone in a speech to the Commonwealth Club of California yesterday signalling that the Central Bank is poised to pursue a path of steady interest rate hikes. She stated that with the US economy close to full employment and inflation headed towards the Fed's 2% target, it "makes sense" for the Fed to gradually raise interest rates, adding that "waiting too long to begin moving toward the neutral rate could risk a nasty surprise down the road, either too much inflation, financial instability, or both". The Fed Chair noted that, dependent on the evolution of the economy, she and other policymakers expect the Central Bank to lift the Fed Funds rate "a few times a year" through 2019, putting it near the long-term sustainable rate of 3%. Fed Chair Janet Yellen's hawkish comments coincided with the release of the Fed's latest Beige Book, which highlighted that pricing pressures have intensified somewhat since the last report. Furthermore, US CPI rose by 2.1%YoY in December, the biggest increase since 2014 from 1.7%YoY in the prior month, mainly due to higher prices for gasoline and rental accommodation. After falling close to a multi-week low of 100.260 yesterday, the DXY index rebounded today hovering around 101.270 in European trade at the time of writing. In spite of today's up move, it remained below 102.950 recent peak (Jan. 11), on market anxiety ahead of US President-elect Donald Trump's inauguration on Friday. Elsewhere, EUR/USD was trading close to 1.0650/55 at the time of writing, having retreated from yesterday's 1.0715 peak ahead of the ECB monetary policy meeting later today (policy announcement 13:34 CET, press conference 14:30 CMT). The Central Bank is expected to stay put on its monetary policy and President Mario Draghi is anticipated to adopt a dovish stance, stressing that risks to the growth outlook are skewed to the downside and underlying inflation remains weak.

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### GREECE

According to press reports, during the 12 January Euroworking Group (EWG), European officials discussed the possibility of the departure of the IMF from Greece's bailout programme expressing various positions on the subject and presenting potential consequences that this may cause. In any case, European officials are said to argue that a potential withdrawal of the Fund would be a rather negative development that would potentially require a new deal which could take months to materialise, most probably not before the German elections in September 2017. In spite of the delays caused by the uncertainty regarding the IMF's participation in the programme, Greece's primary target remains the completion of the 2<sup>nd</sup> programme review by end-February so that Greek eligible bonds can be included in the ECB QE programme in March. In other news, the privatisation of the 100% share of Trainose for €45mn was concluded yesterday with the signing of the sale agreement between the Hellenic Republic Asset Development Fund (HRADF) and Ferrovie dello Stato Italiane S.p.A.. The sale will now have to be approved by the competent European authorities. According to data released by the Greek Tourism Confederation (SETE) for the period January to December 2016, reveal an annual increase of 9.0% in arrivals at Greece's main international airports and 0.6% in road arrivals. In total, international air and road arrivals reached almost 29mn in 2016. In more detail, significant annual increases in airport arrivals were recorded in Kalamata, Santorini, Corfu, Crete, Thessaloniki and Rhodes, while in the refugee stricken islands Mytilene, Samos and Kos air arrivals dropped by 57.2%, 23.0% and 11.2% respectively.

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January 19, 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

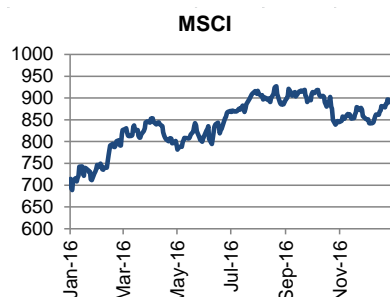
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CYPRUS

The positive momentum for the tourism sector continued in the last month of 2016. Tourist arrivals expanded by 12.2% YoY in December 2016 to 87,927, up from 78,348 in December 2015. The month of December was the eighteen consecutive month with a positive rate of increase on an annual basis. Overall, tourist arrivals increased by +19.8% YoY to reach 3.2mn in FY2016 vs. 2.7mn in FY2015, setting an all-time record high in the history of the Republic. According to the Cyprus Tourism Organization, the outgoing year was "a landmark year which will remain in history as the most successful year compared with any previous seasons". A double digit increase was recorded across all markets. A sharp increase of +48.9% YoY, +50.9% YoY, +23% YoY and +36.2% YoY was recorded in tourist arrivals from Russia, Israel, Ukraine and Lebanon in the same period. Tourist arrivals from traditional markets, such as Germany (+10.5% YoY) and UK (+11.2% YoY), fared also relatively well. In addition, tourism revenues expanded robustly by +12.7% YoY in Jan-Oct 2016 to €2.2bn, up from €1.98bn, compared to the same period last year.

Overall, after a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +1.6% YoY in 2015 and have further gained momentum to +2.8% YoY in 2016. Solid real GDP growth performance is expected to continue in 2017, driven by 1) recovering private consumption due to sustained improvement in consumer confidence and the envisaged fiscal relaxation at the expense of reducing public debt to GDP ratio less rapidly in the medium term, 2) partial progress in the implementation of pending structural reforms prescribed in the expired economic adjustment program, 3) sustained strong revenues from tourism mirroring the enrichment of its tourist product and the evolving geopolitical crisis in the neighboring competing countries.

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January 19, 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	2271.89	0.2%	1.5%	EUR/USD	1.0648	0.2%	1.2%	UST - 10yr	2.42	-1	-2	GOLD	1203	-0.1%	4.4%
Nikkei 225	19072.25	0.9%	-0.2%	GBP/USD	1.2314	0.4%	-0.3%	Bund-10yr	0.38	2	17	BRENT CRUDE	55	1.4%	-3.8%
STOXX 600	363.16	0.0%	0.5%	USD/JPY	114.68	0.0%	2.0%	JGB - 10yr	0.08	2	3	LMEX	2808	0.8%	5.6%

## 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	5.07	-1	-2
5Y RSD	5.37	-1	1
7Y RSD	5.71	5	7

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.16	0	-16
USD Nov-24	6.45	0	3

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	205	-3	-2
10-year	248	-6	-7

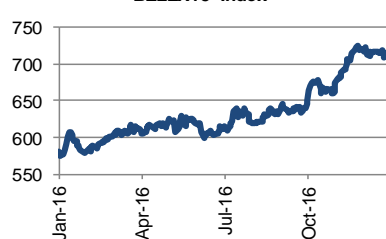
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	709.7	-0.27%	-1.07%

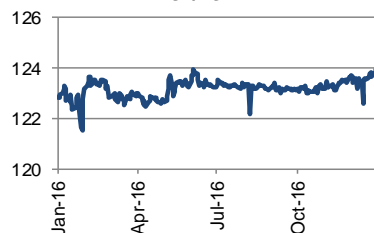
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.90	-0.05%	-0.35%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

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

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	1	-4
5Y RON	2.49	2	-3
10Y RON	3.39	1	-26

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.03	5	-11
USD Jan-24	3.58	6	-27

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	138	0	-14

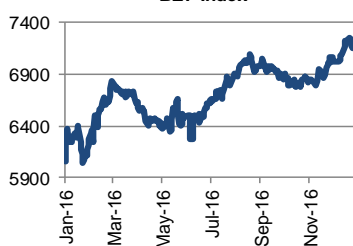
#### STOCKS

	Last	ΔD	ΔYTD
BET	7195.8	0.25%	1.56%

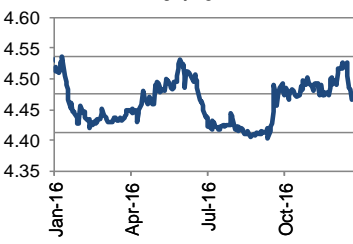
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.495	0.10%	0.98%

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	0.10	-1	-5
5Y BGN	0.51	-1	1
10Y BGN	1.81	0	-9

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.43	0	-11
EUR Sep-24	1.60	0	-8

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	0	-32
10-year	161	0	-33

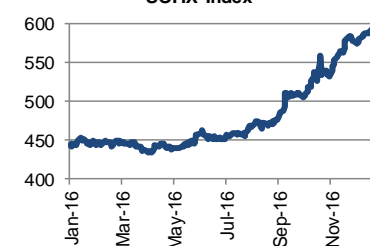
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	606.2	-0.04%	3.36%

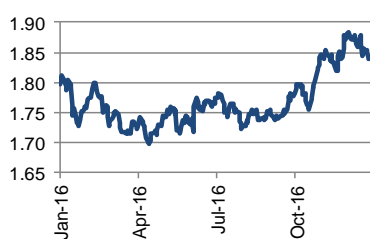
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8369	0.18%	1.17%

SORIX Index



USD/BGN



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

Data updated as of 11:10 EET

January 19, 2017

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