



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, December 19, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec 18: NAHB Index (Dec)
- Dec 19
 - Housing starts (Nov)
 - Housing permits (Nov)
- Dec 20: Existing home sales (Nov)
- Dec 21
 - GDP (Q3, 3rd estimate)
 - Jobless claims (weekly)
 - Philadelphia Fed Index (Dec)
- Dec 22
 - Durable goods orders (Nov)
 - Personal income / spending (Nov)
 - Core PCE deflator (Nov)
 - UoM consumer confidence (Dec, f)
 - New home sales (Nov)

EUROZONE

- Dec 18: HICP – Headline / Core (final, Nov)
- Dec 19: DE: Ifo (Dec)

GREECE

- Dec 21: Current account balance (Oct)

SEE

BULGARIA

- Dec 19: Current account balance (Oct)
- Dec 22: Gross external debt (Oct)

ROMANIA

- Dec 18: 3.25% 2024 T-bonds auction
- Dec 21: 4.75% 2019 T-bonds auction

SERBIA

- Dec 20: Current account balance (Oct)
- Dec 21: 2020 EUR-denominated T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European equity markets were slightly stronger in early trade on Tuesday, taking their lead from the positive tone in Wall Street overnight where major stock indices hit fresh record highs, amid growing optimism about the approval of the tax reform bill by the Congress this week. In FX markets, the USD was modestly weaker on the day amid market uncertainty about the effect the awaited tax reform will have on the US economic growth outlook. Meanwhile, the GBP has failed to capitalize on the start of phase two of the Brexit negotiations presumably due to prevailing political rifts within the UK government. Turning to USTs and core euro area bond markets, yields were modestly higher on the day but still within recent tight ranges suggesting that investors are not expecting any abrupt monetary policy tightening by the Fed and/or the ECB any time soon. Looking at the remainder of the day, the main data releases include the US November housing starts and building permits for November.

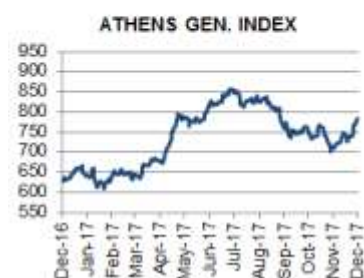
SOUTH EASTERN EUROPE

CESEE MARKETS: Trailing gains in major global stock markets, the majority of emerging market bourses moved higher earlier on Tuesday on improving risk sentiment thanks to optimism about the prospects of the US tax reform. In FX markets, most regional currencies firmed in view of a modestly weaker US dollar. Focus today is on Hungary's Central Bank monetary policy meeting.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

European equity markets were slightly stronger in early trade on Tuesday, taking their lead from the positive tone in Wall Street overnight where major stock indices hit fresh record highs, amid growing optimism about the approval of the tax reform bill by the Congress this week. After the House and Senate lawmakers reached an agreement on a compromise tax bill last Friday, the bill was submitted to the Senate for consideration and a vote is expected either today or tomorrow before it is sent to the US President for signature. Separately, the World Bank revised higher its 2017 GDP forecast for China to 6.8% from 6.7% previously, mainly on the back of rising household income and improving external demand. In FX markets, the USD was modestly weaker on the day amid market uncertainty about the effect the awaited tax reform will have on the US economic growth outlook. This holds even though the FOMC confirmed at last week's monetary policy meeting that economic growth is solid and GDP growth forecasts for 2018 and 2019 were revised higher, partially due to the anticipated short-term boost from the tax overhaul. Against this background, the EUR/USD gained some ground hovering around the 1.1800 area in European trade at the time of writing after marking a session low of 1.1735 on Monday, remaining though trapped within the 1.1700-1.2000 recent range. With the Fed and ECB policy meetings behind us, few fresh impulses are anticipated for the market in the coming sessions, suggesting that sideways trading is likely to prevail the week before Christmas. Meanwhile, the GBP has failed to capitalize on the start of phase two of the Brexit negotiations presumably due to prevailing political rifts within the UK government. Weakening further UK Prime Minister Theresa May's Brexit negotiating hand, the House of Commons amended the EU withdrawal bill last week to ensure that it will get a vote on any final deal with the EU rather than simply being imposed by the government. Turning to USTs and core euro area bond markets, yields were modestly higher on the day but still within recent tight ranges suggesting that investors are not expecting any abrupt monetary policy tightening by the Fed and/or the ECB any time soon. Looking at the remainder of the day, the main data releases include the US November housing starts and building permits for November.

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December 19, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

Trailing gains in major global stock markets, the majority of emerging market bourses moved higher earlier on Tuesday on improving risk sentiment thanks to optimism about the prospects of the US tax reform. In this context, the MSCI Emerging Markets index rose by 0.4% in European trade hitting new multi-week highs and adding to yesterday's 1% rally. In a similar vein, main indices in the CESEE space traded in the black at the time of writing. Romania's BETI led the gains with a 0.9% advance. On the flipside, Bulgaria's SOFIX and Ukraine's PFTSI bucked the positive trend to stand modestly lower.

In FX markets, most regional currencies firmed in view of a modestly weaker US dollar. The Hungarian forint hovered around two week highs of 312.72/EUR hit in early European trade ahead of today's Central Bank meeting (MNB). At its last meeting the MPC had held interest rates stable; namely the key (base) policy rate at 0.90%, the overnight deposit rate at -0.15% and the overnight and 1-week collateralized lending rates at 0.90%. However, in a move to further ease monetary conditions via the use of its unconventional tools, MNB had announced the introduction of new unconditional interest rate swap (IRS) facilities with five and ten-year maturities from the beginning of January 2018 and a targeted mortgage bonds purchasing programme with maturities of three years or more aimed at pushing longer-dated government yields lower and supporting fixed-rate loans. As these measures are due to come into effect early next year, a change of monetary policy is not anticipated today. Market attention also centres on the updated Inflation Report, which is also due for release today.

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BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.6
Budget Balance/GDP*	-2.8	1.6	-1.3
Current Account/GDP	-0.1	5.4	3.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

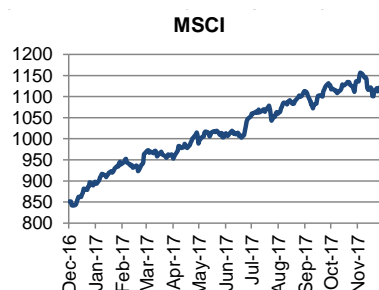
* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Credit Ratings

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB-
CYPRUS	B1	BB+

Source: Reuters, Bloomberg, Eurobank Research

December 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	2690.16	0.5%	20.2%	EUR/USD	1.1797	0.1%	12.1%	UST - 10yr	2.39	-1	-6	GOLD	1264	0.1%	9.7%
Nikkei 225	22868.00	-0.1%	19.6%	GBP/USD	1.338	0.0%	8.3%	Bund-10yr	0.31	0	10	BRENT CRUDE	64	0.3%	12.0%
STOXX 600	392.98	0.1%	8.7%	USD/JPY	112.58	0.0%	3.9%	JGB - 10yr	0.04	0	0	LME X	3240	0.4%	21.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.53	2	-47
1-week	2.62	0	-55
1-month	2.85	4	-50
3-month	3.10	2	-37
6-month	3.28	5	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.08	#N/A	N/A
5Y RSD	4.48	-2	-88
7Y RSD	4.90	0	-73

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.98	0	-122
USD Nov-24	6.04	-31	-23

CDS

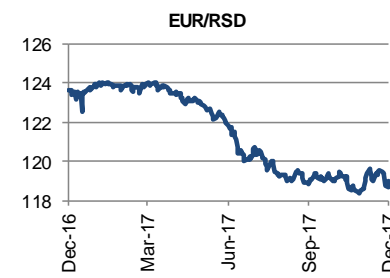
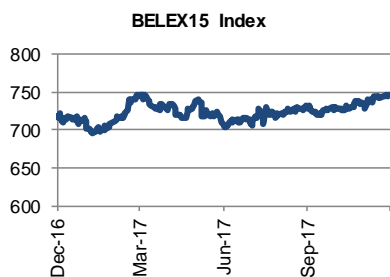
	Last	ΔDbps	ΔYTD bps
5-year	118	-1	-90
10-year	159	-1	-96

STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.2	-0.16%	3.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.92	-0.17%	3.82%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.99	0	43
1-month	1.95	-1	119
3-month	2.11	1	121
6-month	2.31	0	120
12-month	2.36	0	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.39	0	187
5Y RON	3.81	0	139
10Y RON	4.39	0	92

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	#N/A	N/A
USD Jan-24	3.00	0	-90

CDS

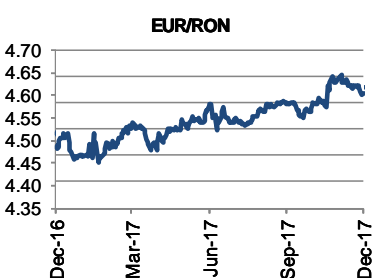
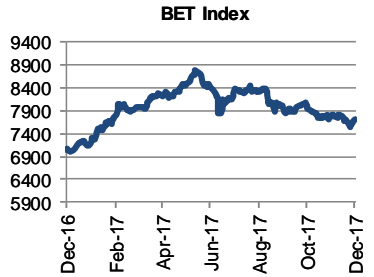
	Last	ΔDbps	ΔYTD bps
5-year	96	0	-13
10-year	150	-1	-3

STOCKS

	Last	ΔD	ΔYTD
BET	7696.2	0.40%	8.63%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6185	-0.07%	-1.72%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.15	0	-8
6-month	-0.05	0	-13
12-month	0.32	0	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.30	-1	-46
5Y BGN	-0.08	1	-59
10Y BGN	0.84	0	-107

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	0	-93
EUR Sep-24	0.59	4	-109

CDS

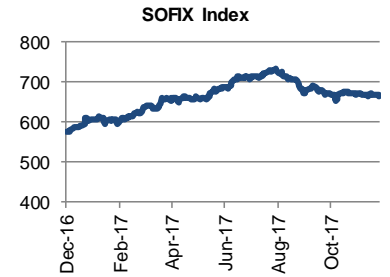
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	143	-1	-51

STOCKS

	Last	ΔD	ΔYTD
SOFIX	662.2	0.00%	12.91%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6579	0.14%	12.09%



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

Data updated as of 11:20 EST

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