



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, January 20, 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: The ECB left its key policy rates unchanged at yesterday's monetary policy meeting and there were no changes to the parameters of its asset purchase programme, in line with market expectations. ECB President Mario Draghi dismissed any suggestions that withdrawal of monetary accommodation was appropriate at this stage stressing that the Governing Council stands ready to increase the asset-purchase programme in terms of size or duration if the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation. In the FX markets, the USD lost some ground, reversing some of yesterday's session gains, as firmer than expected US economic data were more than offset by somewhat less hawkish comments by Fed Chair Yellen. Market focus today is on Donald Trump's inauguration as president that starts at 15:30 CET.

GREECE: In an interview at the World Economic Forum of Davos, German FinMin Wolfgang Schaeuble stated that "the Greek programme is based from the very beginning in 2010 on the participation of the IMF". If the IMF refuses to join, it will be a sign that Greece isn't sticking to its commitments and "the programme will be ended because the precondition of the programme, the basis, is destroyed." Meanwhile, as regards the pending items pertaining to the energy market reform in the context of the 2nd programme review, the Minister of Energy George Stathakis appeared confident at a press conference yesterday that there is significant scope of convergence with the institutions.

SOUTH EASTERN EUROPE

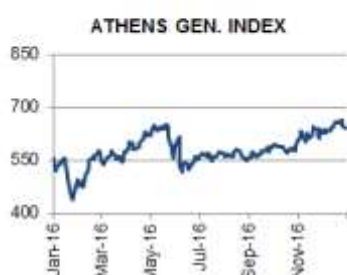
CESEE MARKETS: Emerging market assets were mixed earlier on Friday as market caution ahead of president-elect Trump's inauguration overshadowed positive GDP data from China and a somewhat less hawkish tone by Fed Chair Yellen yesterday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The ECB left its key policy rates unchanged at yesterday's monetary policy meeting and there were no changes to the parameters of its asset purchase programme, in line with market expectations. Speaking in the post-meeting press conference, ECB President Mario Draghi noted that the economic expansion is expected to firm further but the risks surrounding the growth outlook remain tilted to the downside, predominantly related to global factors. On the inflation front, he stated that while headline inflation is likely to pick up further in the near-term mainly as a result of base effects, there are no signs yet of a convincing upward trend in underlying inflation. Furthermore, he dismissed any suggestions that withdrawal of monetary accommodation was appropriate at this stage stressing that the Governing Council stands ready to increase the asset-purchase programme in terms of size or duration if the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation. Reacting to his dovish tone, long-dated Bunds firmed with the 10-yr yield hovering around 0.36% in European trade at the time of writing, pulling back from a five-week peak of 0.40% hit at some point in the prior session ahead of the ECB President's remarks. On the flipside, the 10-yr Treasury yield was trading close to a 2 ½ week high of 2.47%, with the corresponding yield spread against the 10-yr German counterpart hovering around 210bps, the widest in nearly a week. In the FX markets, the USD lost some ground, reversing some of yesterday's session gains. The DXY index was standing some 0.1% lower on a daily basis as firmer than expected US economic data were more than offset by somewhat less hawkish comments by Fed Chair Yellen compared to those delivered earlier this week. Favored by the USD's modest weakness, the EUR/USD rebounded to levels around 1.0665/69 in European trade after marking a session low of 1.0587 on Thursday. Market focus today is on Donald Trump's inauguration as president that starts at 15:30 CET.

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GREECE

In an interview at the World Economic Forum of Davos, German FinMin Wolfgang Schaeuble stated that "the Greek programme is based from the very beginning in 2010 on the participation of the IMF". If the IMF refuses to join, it will be a sign that Greece isn't sticking to its commitments and "the programme will be ended because the precondition of the programme, the basis, is destroyed." He added that German lawmakers would say that if the Greek authorities "are not able, with all the flexibility granted by European institutions, to stick to what they have approved, the precondition for a programme is no longer there." Meanwhile, as regards the pending items pertaining to the energy market reform in the context of the 2nd programme review, the Minister of Energy George Stathakis appeared confident at a press conference yesterday that there is significant scope of convergence with the institutions. With regard to the Hellenic Gas Transmission System Operator (DESFA) in particular, the Minister stated that the tender procedure for the sale of a 66% stake of the company will commence in the following days. With regard to the NOME type auctions, the Minister argued that it is too soon to evaluate their efficiency but the targets for a decrease of the Public Power Corporation's (PPC) market share to 50% by the end of 2019 remain in place as agreed.

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January 20, 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

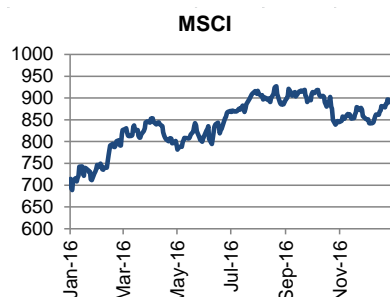
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 mixed earlier on Friday as market caution ahead of president-elect Trump's inauguration overshadowed positive GDP data from China and a somewhat less hawkish tone by Fed Chair Yellen yesterday. Most bourses in the CESEE region were modestly higher in European trade today, while regional currencies and government bonds were mixed. In FX markets, the Turkish lira stood slightly firmer on the day as the Central Bank (CBRT) continued to tighten TRY liquidity in order to support the domestic currency. In this context, the USD/TRY was hovering around levels of 3.8190 at the time of writing, though not too far from a record high of just above 3.94 hit earlier in this year amid a stronger US dollar over recent months, heightened security concerns and increased domestic political and economic jitters.

The Turkish Parliament is expected to complete a second round of voting on the articles of the proposed constitutional changes and cast a final vote on the whole package later on Friday. If the bill receives 3/5's of parliamentary support (330 in the 550-seat Parliament), which appears to be the most likely scenario, 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.

Today's CESEE calendar of data and events is relatively light, with sovereign credit ratings by Moody's on Bulgaria and Fitch on Romania, being amongst those high on the agenda. Looking further ahead, next week's focus will be primarily on the Central Bank monetary policy meeting in Turkey. According to the market's median forecast, the Committee is anticipated to raise the key policy (1-week repo) rate by 50bps to 8.50% and the overnight lending rate to 9.25% from 8.50% currently, while leave the overnight borrowing rate at the current level of 7.25%, in an additional effort to prop up the TRY. CBRT has announced a series of measures over recent days in order to support the domestic currency, which at some point this year had lost more than 10% of its value against the USD. In more detail, it introduced forex swap auctions, halted daily repo auctions compelling banks to meet additional liquidity needs via the more expensive late liquidity window as well as intervening verbally. That said, more aggressive policy action appears to be currently expected by market participants and should the MPC disappoint expectations on Tuesday, the lira is likely to come under renewed depreciation pressures in the sessions ahead.

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January 20, 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	2263.69	-0.4%	1.1%	EUR/USD	1.065	-0.1%	1.2%	UST - 10yr	2.49	2	4	GOLD	1202	-0.2%	4.3%
Nikkei 225	19137.91	0.3%	0.1%	GBP/USD	1.23	-0.3%	-0.5%	Bund-10yr	0.40	2	19	BRENT CRUDE	55	0.7%	-4.0%
STOXX 600	362.67	0.0%	0.3%	USD/JPY	115.01	-0.1%	1.7%	JGB - 10yr	0.07	-1	2	LMEX	2789	-0.7%	4.9%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1	O/N	0.4	-1	-16	LEONIA	-0.05	0	-5
1-week	3.11	1	-6	1-month	0.62	0	-14	1-month	-0.17	0	0
1-month	3.34	0	-1	3-month	0.82	0	-8	3-month	-0.09	-2	-2
3-month	3.46	-1	-1	6-month	1.06	-1	-5	6-month	0.07	0	-1
6-month	3.68	0	2	12-month	1.23	0	-2	12-month	0.40	0	0
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-1	3Y RON	1.60	2	-2	3Y BGN	0.15	4	-1
5Y RSD	5.43	-1	7	5Y RON	2.52	0	0	5Y BGN	0.56	3	5
7Y RSD	5.71	0	7	10Y RON	3.44	1	-21	10Y BGN	1.82	0	-9
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	2.21	-1	-12	EUR Oct-25	2.05	2	-9	EUR Jul-17	-0.35	-5	-3
USD Nov-24	6.45	0	3	USD Jan-24	3.71	0	-14	EUR Sep-24	1.70	-120	2
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	204	-1	-3	5-year	95	0	-14	5-year	120	0	-32
10-year	247	-1	-8	10-year	138	0	-14	10-year	161	0	-33
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	705.4	-0.91%	-1.67%	BET	7261.1	0.52%	2.48%	SOFIX	604.8	-0.04%	3.14%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	123.85	0.10%	-0.31%	EUR/RON	4.497	0.14%	0.93%	USD/BGN	1.8364	-0.13%	1.20%

BELEX15 Index		BET Index		SOFIX Index	
Jan-16	580	Jan-16	6300	Jan-16	450
Apr-16	620	Mar-16	6800	Mar-16	450
Jul-16	650	May-16	6400	May-16	450
Oct-16	710	Jul-16	6900	Jul-16	450
		Sep-16	6800	Sep-16	500
		Nov-16	7300	Nov-16	580

EUR/RSD		EUR/RON		USD/BGN	
Jan-16	123.5	Jan-16	4.45	Jan-16	1.80
Apr-16	123.5	Apr-16	4.45	Apr-16	1.75
Jul-16	123.5	Jul-16	4.45	Jul-16	1.75
Oct-16	123.85	Oct-16	4.45	Oct-16	1.85

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:50 EET

January 20, 2017

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