



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, December 20, 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: Along party lines, the US Republican-led Senate approved the tax bill earlier today. The House of Representatives which approved the bill yesterday, is scheduled to vote on it again later today after the Senate rejected three provisions in the Senate bill on the view that they violate the Senate's Byrd Rule (both chambers must approve identical bills). Amid increased expectations of the US tax bill passing, US Treasury yields moved higher across the curve. Euro area core bond yields also moved higher led by a sell-off in Germany's longest-dated paper following the German government's announcement that it plans to sell a larger volume of 30-yr maturities in 2018 than in 2017. In FX markets, the USD edged slightly lower on the back of market concerns over whether the tax reform will have a significant positive impact on the US economy and lingering worries over whether a partial government shutdown will be avoided at the end of this week. Looking at the remainder of the day, focus will be on the progress of the US tax bill and Riksbank's monetary policy decision at 9:30 CET where consensus is for unchanged interest rates. As far as data is concerned, today's major releases include US existing home sales for November.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed in early European trade on Wednesday, as uncertainty over the impact of the US tax reform over the economy overshadowed its passage in the Senate overnight.

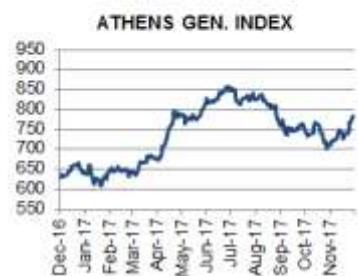
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December 20, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Along party lines, the US Republican-led Senate approved the tax bill earlier today with 51 in favor votes (Senate John McCain, Republican of Arizona, who is in treatment for cancer was absent as he returned home to receive medical care). The House of Representatives which approved the bill yesterday, is scheduled to vote on it again later today after the Senate rejected three provisions in the Senate bill on the view that they violate the Senate's Byrd Rule (both chambers must approve identical bills). Assuming that it will be endorsed by the House, the bill will be submitted soon after to the US President for signature. Amid increased expectations of the US tax bill passing, US Treasury yields moved higher across the curve. The 2-yr yield hit a fresh multi-year high slightly above 1.86% earlier today while the 10-yr bond was yielding levels around 2.46% in European trade at the time of writing, close to a three-week intraday high of 2.47% marked in the prior session. Euro area core bond yields also moved higher led by a sell-off in Germany' longest-dated paper following the German government's announcement that it plans to sell a larger volume of 30-yr maturities in 2018 than in 2017 (€16bn up from around €11bn in 2017) because it will have to pay back more old debt than it repaid in 2017. In reaction to the above, the 30-yr Bund yield hit a three-week high close to 1.21% earlier today, some 12bps higher from last week's lows as thin illiquid year-end conditions probably exacerbate market moves. The majority of EMU periphery sovereign bonds were also weaker weighed down by ECB Governing Council member Jens Weidmann's repeated call for a definite end-date for the asset purchase programme. In FX markets, the USD edged slightly lower on the back of market concerns over whether the tax reform will have a significant positive impact on the US economy and lingering worries over whether a partial government shutdown will be avoided at the end of this week. The EUR/USD was 0.1% firmer on the day hovering around 1.1845/48 at the time of writing, approaching a multi-session peak of 1.1862 recorded last week, having recovered by 0.8% from recent lows (Nov. 12). The bigger than expected decline in Germany's December IFO business climate indicator was broadly shrugged off by FX market participants, thanks to continued market optimism over the growth prospects of the German economy. Presumably due to political uncertainty, the December indicator fell to a lower than anticipated 117.2, albeit still elevated from a historic perspective and just 0.4 points lower from November's record highs. Looking at the remainder of the day, focus will be on the progress of the US tax bill and Riksbank's monetary policy decision at 9:30 CET where consensus is for unchanged interest rates. As far as data is concerned, today's major releases include US existing home sales for November.

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December 20, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded mixed in early European trade on Wednesday, as uncertainty over the impact of the US tax reform over the economy overshadowed its passage in the Senate overnight. The MSCI Emerging Markets index stood in a marginally positive territory at the time of writing, near multi-week highs hit earlier in the week. Elsewhere, main indices in CESEE traded firmer with Bulgaria's main SOFIX bucking the positive trend to record modest losses to the tune of 0.2%. In FX markets, most regional currencies firmed as the US dollar remained not too far from recent lows. The Hungarian forint remained near yesterday's 312.62/€ two week highs hit ahead of the Central Bank meeting (MNB). As was broadly anticipated the MPC left interest rates unchanged; 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%. The Committee reaffirmed its dovish stance signaling that loose monetary conditions will be maintained over a prolonged period via the use of "the extended set of monetary policy instruments". In its previous meeting last month, the 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.

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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

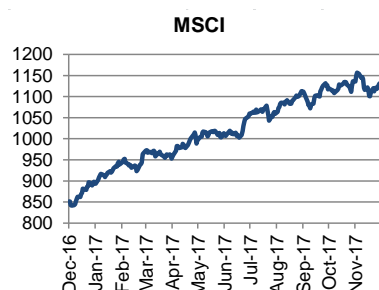
* ESA 2010

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 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	2681.47	-0.3%	19.8%	EUR/USD	1.1842	0.0%	12.6%	UST - 10yr	2.46	-1	1	GOLD	1264	0.2%	9.7%
Nikkei 225	22891.72	0.1%	19.8%	GBP/USD	1.3394	0.1%	8.4%	Bund-10yr	0.38	0	17	BRENT CRUDE	64	0.3%	12.7%
STOXX 600	391.04	0.0%	8.2%	USD/JPY	113.13	-0.2%	3.4%	JGB - 10yr	0.06	2	1	LME X	3256	0.5%	22.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	-1	-48
1-week	2.62	0	-55
1-month	2.82	-3	-53
3-month	3.07	-3	-40
6-month	3.25	-3	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.09	-1	-99
5Y RSD	4.47	0	-88
7Y RSD	4.88	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.99	0	-122
USD Nov-24	6.03	-31	-23

CDS

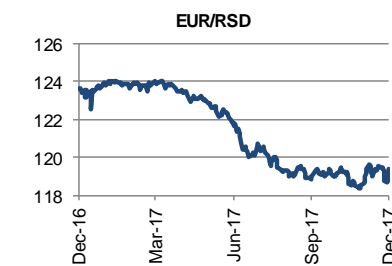
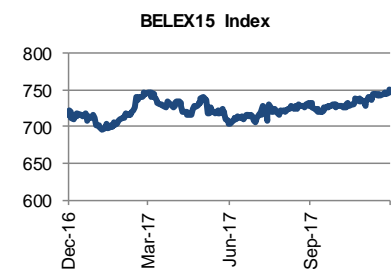
	Last	ΔDbps	ΔYTD bps
5-year	117	0	-91
10-year	159	0	-96

STOCKS

	Last	ΔD	ΔYTD
BELEX15	750.3	0.51%	4.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.34	-0.18%	3.45%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.41	0	189
5Y RON	3.82	0	141
10Y RON	4.38	0	90

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	#N/A	N/A
USD Jan-24	3.02	0	-88

CDS

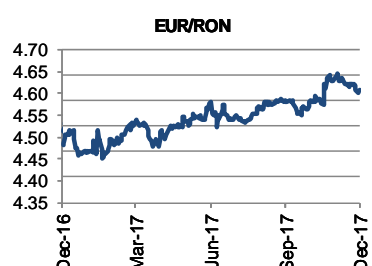
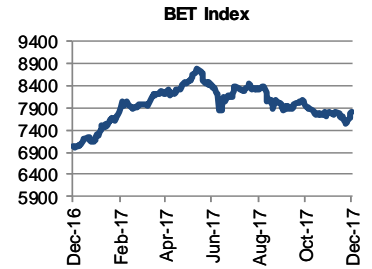
	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-15
10-year	148	-2	-5

STOCKS

	Last	ΔD	ΔYTD
BET	7806.5	0.48%	10.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6206	-0.03%	-1.77%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.16	-1	-9
6-month	-0.05	0	-13
12-month	0.30	-2	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.32	0	-47
5Y BGN	-0.08	-1	-58
10Y BGN	0.83	0	-108

BG Eurobonds

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

CDS

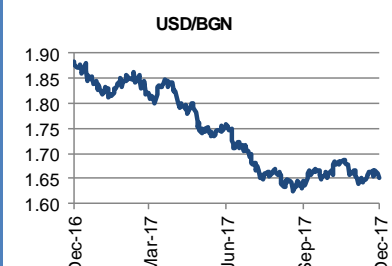
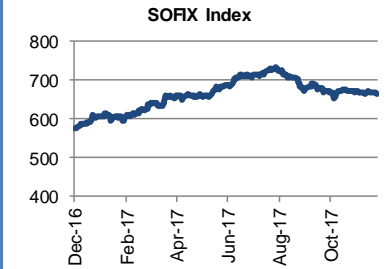
	Last	ΔDbps	ΔYTD bps
5-year	96	-2	-56
10-year	140	-3	-54

STOCKS

	Last	ΔD	ΔYTD
SOFIX	662.6	-0.04%	12.98%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6517	0.02%	12.51%



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

Data updated as of 10:20 EST

December 20, 2017

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