



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 21, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 20: Presidents Day Holiday
- Feb 22
  - Existing home sales (Jan)
  - FOMC meeting minutes
- Feb 23
  - Initial jobless claims (weekly)
- Feb 24
  - New home sales (Jan)
  - UoM consumer sentiment (Feb, f)

##### EUROZONE

- Feb 20: Consumer confidence (Feb)
- Feb 21: PMI manufacturing & services (Feb)
- Feb 22
  - DE: Ifo (Feb)
  - HICP (Jan, f)
- Feb 23
  - DE: GDP (Q4)
  - HICP (Jan, f)

##### GREECE

- Feb 20
  - Eurogroup
  - Current account deficit (Dec)
- Feb 24: Credit rating review by Moody's & Fitch

##### CYPRUS

- Feb 21: HICP (Jan)

##### SEE

##### BULGARIA

- Feb 20: 0.3% 2021 T-bonds auction

##### ROMANIA

- Feb 23: 5.8% 2027 T-bonds auction

##### SERBIA

- Feb 21: 2.50% 2022 T-bonds auction
- Feb 23
  - 5.75% 2023 T-bonds auction
  - HICP (Jan)
- Feb 24
  - Gross wages (Jan)
  - PPI (Jan)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian equity markets traded mixed on Tuesday, with the Japanese Nikkei-225 stock average index ending higher favored by the JPY's weakness and the BoJ's purchases of exchange-traded funds during the past three trading days. In Europe, major equity indices were trading higher at the time of writing, supported by encouraging manufacturing surveys that overshadowed a sharp decline in HSBC's shares. In FX markets, the US dollar moved higher following Federal Reserve Bank of Philadelphia President Patrick Harker's comments that increased expectations for an interest rate hike in the next FOMC monetary policy meeting in March. Against this background, the EUR/USD was hovering around one-week low of 1.0536 at the time of writing, within distance from a five-week low of 1.0520 recorded a few sessions ago. In the rates markets, relatively hawkish comments by Fed officials pushed Treasury yields higher, while, in Europe, the French 10-yr government spread vs. Germany widened to a five-year- intraday high of 84bps amid heightened political woes in France.

**GREECE:** The Eurogroup that convened yesterday produced a positive outcome as it decided the return of the review mission to Athens and the resumption of negotiations to conclude a Staff Level Agreement on policy reforms in the context of the 2nd programme review. Although no political agreement has yet been reached, Greece agreed to pre-legislate a package of measures to be implemented in 2019. The measures were not specified but they will pertain to tax and pension reform as well as labour market regulations focusing on growth rather than austerity. According to the Bank of Greece, in December 2016, the current account showed a deficit of €933 million, up by €150 million compared to December 2015.

### SOUTH EASTERN EUROPE

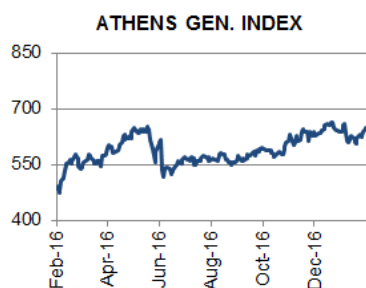
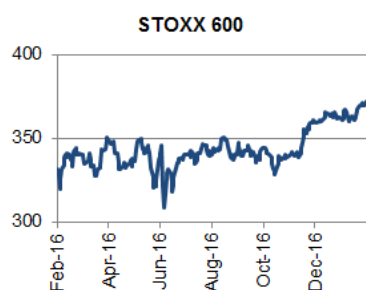
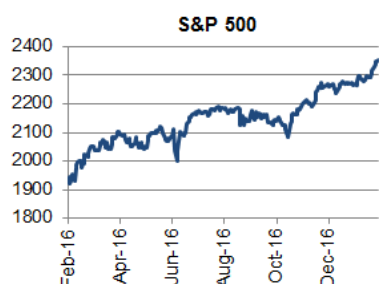
**CESEE MARKETS:** CESEE assets were mostly firmer in early European trade on Tuesday. Elsewhere, Serbian assets continued to trade mixed earlier today following news late last week that Prime Minister Aleksandar Vucic will run for the presidency in the upcoming elections due to be held in spring. In the local debt markets, the Ministry of Finance of the Republic of Bulgaria sold on Monday the planned amount of BGN 60mn (~€30.7mn) in 4-year paper at an average accepted yield of 0.18%.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity markets traded mixed on Tuesday, with the Japanese Nikkei index ending higher favored by the JPY's weakness and the recent BoJ's purchases of exchange-traded funds. The Japanese manufacturing PMI index, which rose in February to its highest level since 2014, may also have had an impact. In Europe, major equity indices were trading higher at the time of writing, supported by encouraging manufacturing surveys that overshadowed a sharp decline in HSBC's shares. In more detail, Euro area February "flash" composite PMI index came in above expectations at 56.0, the highest level since April 2014, mainly on the back of surprising strength in the services sector. In FX markets, the US dollar moved higher following Federal Reserve Bank of Philadelphia President Patrick Harker's comments that increased expectations for an interest rate hike in the next FOMC monetary policy meeting in March. Said that, the DXY dollar index rose 0.5% to a one-week high of 101.42 in early European trade ahead of the release of the minutes from the Fed's last monetary policy meeting on Wednesday. Against this background, the EUR/USD was hovering around one-week low of 1.0536 at the time of writing, within distance from a five-week low of 1.0520 recorded a few sessions ago, pressured by increasing political uncertainty ahead of the first round of the French Presidential election on April 23rd. In the rates markets, relatively hawkish comments by Fed officials pushed Treasury yields higher, with the 10-yr respective yield trading around levels of 2.45% at the time of writing, 4bps higher compared to the settlement in the prior session. In Europe, the French 10-yr government spread vs. Germany widened to a five-year- intraday high of 84bps amid heightened political woes, following news that Benoit Hamon, the socialist party's candidate of, is about to cooperate with Jean-Luc Melenchon, the candidate of the far-left party, at the upcoming presidential election.

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### GREECE

The Eurogroup that convened yesterday produced a positive outcome as it decided the return of the review mission to Athens and the resumption of negotiations to conclude a Staff Level Agreement on policy reforms in the context of the 2<sup>nd</sup> programme review. Although no political agreement has yet been reached, Greece agreed to pre-legislate a package of measures to be implemented in 2019. The measures were not specified but they will pertain to tax and pension reform as well as labour market regulations focusing on growth rather than austerity. According to Eurogroup President Jeroen Dijsselbloem, the technical staff are expected to return to Athens in the very short term, which, according to press reports, could be on Tuesday, February 28. They will work with the Greek authorities on an additional package of structural reforms to be implemented in 2019 as well as on the offsetting measures that Greece could implement if the primary surplus target in the medium term is exceeded. A potential timeline could involve reaching a Staff Level Agreement in time for it to be endorsed at the April 7 Eurogroup, so that the ECB may at its April 27 meeting decide the inclusion of Greek eligible debt in its QE programme. With regard to the participation of the IMF in the programme, Jeroen Dijsselbloem expressed confidence that the depth and the size of reforms will likely add up to something that the IMF will find acceptable for it to come on board. On the data front, according to the Bank of Greece, in December 2016, the current account showed a deficit of €933 million, up by €150 million YoY. Total exports of goods and services grew faster (10%) than the corresponding imports (2.9%) and the overall balance of goods and services improved. Exports of goods excluding oil and ships remained almost unchanged while the corresponding imports rose by 4%. The surplus of the services balance grew by €235 million YoY, mainly as a result of higher net other services receipts, mostly financial and other business services.

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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		
	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	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

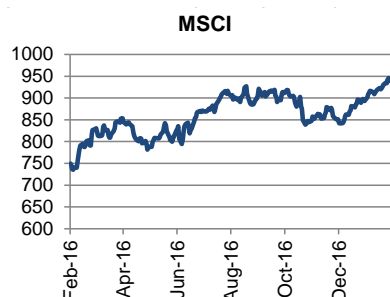
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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
	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	2016e	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	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

CESEE assets were mostly firmer in early European trade on Tuesday. Regional stock markets extended Monday's gains, with Poland's WIG posing anew as the main outperformer registering daily gains to the tune of 1.13% at the time of writing and hitting new decade highs. The said index has trailed this year's rally in major global bourses, while positive corporate earnings reports and somewhat soothed worries over the government's policies recently have also provided a lift. Romania's BET followed suit with a 0.8% advance, led by surging Banca Transilvania shares, which pushed the index to 9-year highs.

Elsewhere, Serbian assets continued to trade mixed earlier today following news late last week that Prime Minister Aleksandar Vucic will run for the presidency in the upcoming elections due to be held in spring, most probably in early April. Ending weeks of speculation, the leadership of the ruling Serbian Progressive Party (SNS) announced in mid-February that Prime Minister Aleksandar Vucic would be nominated as the party's candidate in the election deciding against supporting the candidacy of incumbent president and founder of the party Tomislav Nikolic. Prime Minister and SNS leader Vucic enjoys strong popular support and, according to opinion surveys, he could win the election in the first round. Although the President's position is largely ceremonial, if he wins the ballot he would strengthen his as well as his party's mandate, which enjoys a strong majority in Parliamentary. Against this backdrop, the EUR/RSD hovered around levels of 123.65 at the time of writing, having eased slightly from yesterday's settlement of 123.79. At the same time, the main stock index BELEX15 stood in a modestly negative territory.

In the local debt markets, the Ministry of Finance of the Republic of Bulgaria sold on Monday the planned amount of BGN 60mn (€30.7mn) in 4-year paper. The average accepted yield came in at 0.18% and the average price stood at 100.48. Reflecting strong investor demand in light of the poor supply on the primary market planned for this year, the bid-to-cover ratio was at 3.55 yesterday. The issue bears a coupon of 0.3% and expires on February 22, 2021.

The macroeconomic data and events calendar in the CESEE region is particularly light today. In Romania, the lower house of parliament votes to withdraw a government-backed decree that eased anti-corruption legislation and stirred street rallies against the ruling coalition. The bill stirred negative reaction from the US, the European Commission and domestic authorities over backtracking the country's anti-corruption progress since becoming an EU member. Amid domestic and international criticism, the government repealed the decree in February and the Senate, the upper house of parliament, unanimously endorsed a government order last week to revoke it. The lower house of parliament is also expected to approve the scrapping of the graft decree as the ruling coalition enjoys comfortable majority in both houses of parliament. Elsewhere, a 2.50% 2022 T-bonds auction in Serbia also lures market attention today. Additionally on Tuesday, Turkey will issue 5-year fixed coupon bonds.

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## 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	2351.16	0.2%	5.0%	EUR/USD	1.0536	-0.7%	0.2%	UST - 10yr	2.45	4	1	GOLD	1229	-0.8%	6.7%
Nikkei 225	19381.44	0.7%	1.4%	GBP/USD	1.2414	-0.4%	0.5%	Bund-10yr	0.32	2	11	BRENT CRUDE	57	1.9%	0.7%
STOXX 600	372.13	0.3%	3.0%	USD/JPY	113.72	-0.5%	2.9%	JGB - 10yr	0.10	-1	5	LMEX	2923	1.8%	9.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	2	0
1-week	3.11	4	-6
1-month	3.36	1	1
3-month	3.56	1	9
6-month	3.72	2	6

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	10
7Y RSD	5.71	0	7

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.06	#N/A N/A	-27
USD Nov-24	6.50	0	8

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	204	-1	-3
10-year	248	0	-8

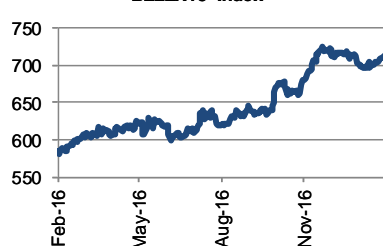
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	709.2	-0.37%	-1.14%

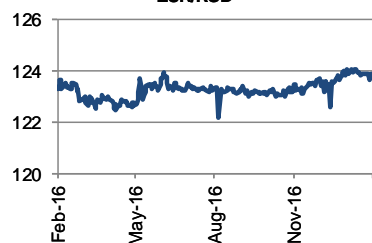
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.85	0.02%	-0.31%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	0	-14
1-month	0.63	0	-13
3-month	0.84	1	-6
6-month	1.06	1	-5
12-month	1.24	0	-1

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	1	4
5Y RON	2.63	0	11
10Y RON	3.61	0	-4

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.09	-2	-4
USD Jan-24	3.63	1	-22

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	0	-13
10-year	139	1	-13

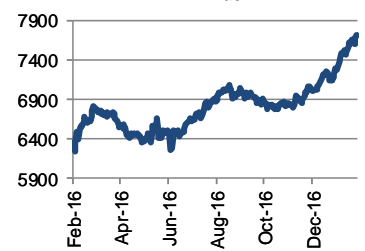
#### STOCKS

	Last	ΔD	ΔYTD
BET	7845.5	0.63%	10.73%

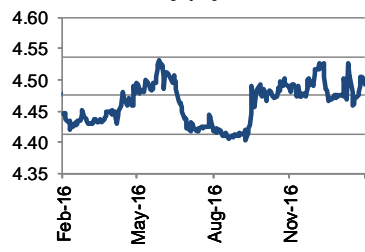
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5151	0.18%	0.53%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-9
1-month	-0.16	1	0
3-month	-0.07	0	0
6-month	0.06	0	-2
12-month	0.40	0	0

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	-1	-4
5Y BGN	0.39	2	-11
10Y BGN	1.74	0	-17

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.43	-12	-11
EUR Sep-24	1.63	0	-5

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	117	-1	-35
10-year	158	-1	-36

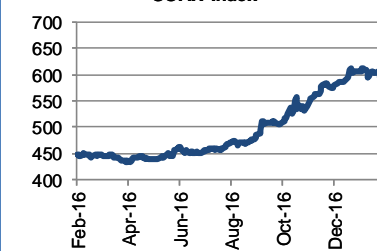
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	611.2	0.48%	4.22%

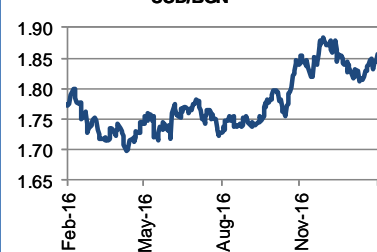
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8565	-0.73%	0.10%

SOFIX Index



USD/BGN



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

Data updated as of 13:15 EET

February 21, 2017

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