

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, January 23, 2017

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Jan 24: Existing home sales (Dec)
- Jan 26
  - Initial claims (weekly)
  - New home sales (Dec)
- Jan 27
  - GDP (Q4)
  - Durable goods orders (Dec)
  - UoM consumer confidence (Feb)

#### UK

- Jan 24: UK Supreme Court's verdict on UK government's appeal
- Jan 26: GDP (Q4, 1<sup>st</sup> est.)

#### EUROZONE

- Jan 23: consumer confidence (Jan)
- Jan 24
  - PMI manufacturing & services (Jan)
  - Existing home sales (Dec)
  - Italy's Constitutional Court ruling on electoral law
- Jan 25: DE: Ifo business climate

#### GREECE

- Jan 26: Eurogroup meeting

### SEE

#### BULGARIA

- Jan 23: 2027 T-Bonds auction
- Jan 27: External debt (Nov)

#### ROMANIA

- Jan 26: T-Bonds auction

#### SERBIA

- Jan 25: Gross wages (Dec)
- Jan 26: 5.75% 2023 T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** During his inaugural address on Friday, US President Donald Trump reiterated his administration's vision to pursue new trade policies designed to protect American jobs and the American industry. The lack of details on US fiscal, tax and trade policy changes weighed on the USD which moved lower across the board with the DXY index hitting a six-week low of 110.210 earlier today. Focus this week is on Italy's Constitutional Court ruling on the constitutionality of the current electoral law for the lower house and the UK Supreme Court's verdict on the UK government's appeal against a High Court ruling late last year, both expected on Tuesday.

**GREECE:** In view of the January 26th Eurogroup, the Greek government is expected to present to the institutions a proposal which will entail the extension of the contingent fiscal mechanism beyond 2018 and its "reinforcement" with additional measures. On the privatisations front, according to press reports the Greek government has appointed the Chairman and the C.E.O. of the new privatisation and investment fund, the operation of which constitutes a prior action in the context of the 2nd programme review. S&P reaffirmed its rating on Greece at B-/B with stable outlook.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets were mixed earlier on Monday as worries over US President Trump's policies counterbalanced the positive impact of a weaker dollar.

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## Latest world economic & market developments

### GLOBAL MARKETS

During his inaugural address on Friday, US President Donald Trump reiterated his administration's vision to pursue new trade policies designed to protect American jobs and the American industry. He declared that from now on, "decisions on trade, on taxes, on immigration, on foreign affairs will be made to benefit American workers and American families". Shortly after his swearing, six "issues" statements were posted on the new White House website out of which three related to prospective changes in trade policy including a withdrawal from negotiations on the Trans Pacific Partnership (TPP) trade treaty, a re-negotiation of the North American Free Trade Agreement (NAFTA) and direction to the Commerce Secretary to identify violations on trade agreements. The lack of details on US fiscal, tax and trade policy changes weighed on the USD which moved lower across the board with the DXY index hitting a six-week low of 110.210 earlier today, 3.5% lower from a 14-year peak hit earlier this year. Favored by the weaker US currency, the EUR/USD rebounded marking a multi-week high of 1.0754 earlier in European trade. Focus is on Italy's Constitutional Court ruling on the constitutionality of the current electoral law for the lower house on Tuesday. The said ruling is highly important for markets as it will influence the ensuing debate among political parties on the reform of the voting system and ultimately the timing of the next election. Elsewhere, the GBP/USD recorded a five-week peak of 1.2470 earlier today ahead of the UK Supreme Court's verdict on Tuesday on the UK government's appeal against a High Court ruling late last year which did not authorize the government to use Crown "prerogative powers" for triggering the activation of the Article 50 of the Lisbon Treaty for the country's exit from the EU without Parliament having a say.

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### GREECE

In view of the January 26th Eurogroup, the Greek government is expected to present to the institutions a proposal which will entail the extension of the contingent fiscal mechanism beyond 2018 and its "reinforcement" with additional measures. These measures may reportedly include: a decrease in the tax free threshold, a decrease in the public sector wage bill, the elimination of deficits in auxiliary pension funds as well as the personal difference in pensions and the freezing of funds to ministries. Greece's proposal will be discussed at the Eurogroup on Thursday and if it is deemed satisfactory for all sides then the negotiations for the 2nd programme review will resume and the institutions' staff will return to Athens. The Greek government's intention is to have the review successfully completed by end-February in order for the ECB to potentially approve the inclusion of Greek eligible bonds into its quantitative easing programme at its Governing Council on March 9th. On the privatisations front, according to press reports the Greek government has appointed the Chairman and the C.E.O. of the new privatisation and investment fund, the operation of which constitutes a prior action in the context of the 2nd programme review. In other news, S&P reaffirmed its rating on Greece at B-/B with stable outlook on the grounds that Greece is expected to continue fulfilling the current programme's conditions albeit with delays and that while there has been a mild statistical recovery in the second half of 2016, the Greek economy remains fragile and its banking sector distressed.

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Source: Reuters, Bloomberg, Eurobank Research

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

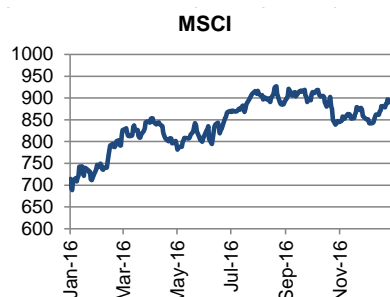
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicators	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

### BULGARIA

The domestic equities market treaded water last week as investors stayed on the sidelines ahead of upcoming financial data. In more detail, the major benchmark SOFIX closed 0.5% higher at 605.20 points. Meanwhile, the yield curve on the local sovereign market adjusted upwards with the seven-year paper rising by 13 bps. All eyes are on the treasury auction set for Jan 23<sup>th</sup> (BGN 50mn in 10.5-year benchmark paper), first placement after an eight-month pause. Eurobonds, on the other hand, stayed very quiet over the last week.

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### SERBIA

Vindicating our expectations for further dinar weakness, the EUR/RSD moved modestly higher last week to around 124.00. As was the case a week earlier, the Central Bank (NBS) intervened in the FX markets in order to ensure a gradual depreciation path of the domestic currency. So far this year NBS has sold €180mn to cushion the dinar's depreciation trend. This amount matches almost fully that rendered over the same period of last year. Bullish sentiment towards the pair is likely to continue ahead on seasonal factors. Uncertainties surrounding new US President Trump's policies add a further argument to our view.

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### CESEE MARKETS

Emerging market assets were mixed earlier on Monday as worries over US President Trump's policies counterbalanced the positive impact of a weaker dollar. In FX markets, the Turkish lira stood modestly weaker compared to Friday's settlement, with the USD/TRY hovering around levels of 3.7710 in early European trade vs. 3.7640 on the close of last week. Although the pair hit a 1-week trough at 3.7500 in Asian markets and the Central Bank (CBRT) has recently adopted a series of TRY-liquidity tightening measures in order to support the lira, the pair remains not too far from a record peak of 3.94 hit earlier this year. Heightened domestic political jitters, concerns about the country's economic growth prospects and worries over security in the country following a streak of terror attacks over the last few months and the July 2016 coup attempt have all weighed on the Turkish currency of late. Government-backed constitutional changes, envisioning the transition to a presidential system that will effectively give the President executive powers, have stirred concerns over power concentration and weighed additionally on the lira. The proponents of the changes argue that they will bring to an end fragmented parliaments and fragile coalition governments, which in the past have increased domestic political uncertainty. The Turkish Parliament voted in favor of the said amendments late last week. As 339 of MPs supported the bill (more than the 3/5's or 330 of necessary quorum in the 550-seat National Assembly to put it into a plebiscite), the door is now open for a referendum on the constitutional package to be held in spring, possibly in April. This week's focus is mainly on Turkey where the Central Bank holds on Tuesday its monthly monetary policy meeting. According to the market's median forecast, the MPC is anticipated to hike all key interest rates in an additional effort to prop up the TRY. In more detail, the CBRT is expected to raise the key policy (1-week repo) rate by 50bps to 8.50% and the overnight lending rate by 75bps to 9.25%, while the overnight borrowing rate is seen rising by 25bps to 7.50%. Meanwhile, recent market talk suggests that some investors anticipate more aggressive action by the CBRT this week. Should the CB disappoint expectations, the lira is likely to come under renewed depreciation pressures in the sessions ahead. Also to possibly exert additional pressures on the TRY is the upcoming review by Fitch on the country's sovereign credit ratings. After placing the outlook negative in August and taking into account a further deterioration in the country's economic prospects and increase in domestic security concerns, a downgrade to junk appears to be on the cards on Friday. 3

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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	2271.31	0.3%	1.5%	EUR/USD	1.0731	0.3%	2.0%	UST - 10yr	2.46	-1	2	GOLD	1213	0.2%	5.2%
Nikkei 225	18891.03	-1.3%	-1.2%	GBP/USD	1.2454	0.6%	0.8%	Bund-10yr	0.40	-2	20	BRENT CRUDE	55	-0.3%	-2.6%
STOXX 600	361.65	-0.3%	0.1%	USD/JPY	113.59	0.9%	3.0%	JGB - 10yr	0.06	-1	1	LMEX	2792	0.1%	5.0%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.11	0	-6
1-month	3.35	1	0
3-month	3.47	1	0
6-month	3.68	0	2

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.43	0	7
7Y RSD	5.71	0	7

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.19	-4	-14
USD Nov-24	6.47	1	6

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	-1	-9

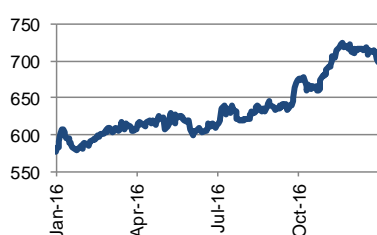
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	698.7	-0.38%	-2.60%

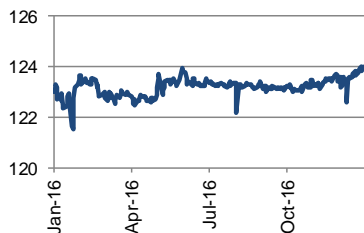
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.90	0.00%	-0.36%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	10	-6
1-month	0.62	0	-14
3-month	0.83	1	-7
6-month	1.07	1	-4
12-month	1.23	0	-2

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	-1	-4
5Y RON	2.53	-1	1
10Y RON	3.44	-1	-21

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.05	0	-9
USD Jan-24	3.71	0	-14

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-15
10-year	138	0	-14

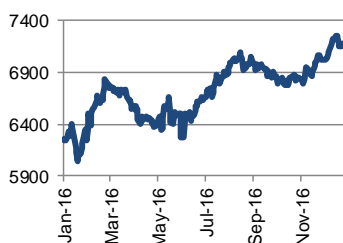
## STOCKS

	Last	ΔD	ΔYTD
BET	7283.2	-0.09%	2.80%

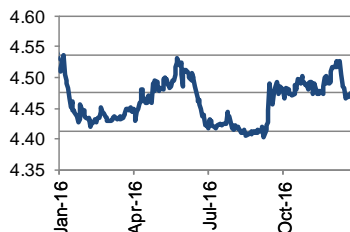
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4984	0.01%	0.90%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	-3	-8
1-month	-0.17	1	0
3-month	-0.08	0	-1
6-month	0.07	0	-1
12-month	0.40	0	0

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.13	0	-2
5Y BGN	0.55	0	5
10Y BGN	1.83	0	-8

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.22	2	10
EUR Sep-24	1.56	96	-12

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	119	-1	-33
10-year	160	-1	-34

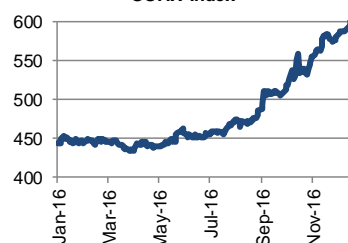
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	606.3	0.18%	3.38%

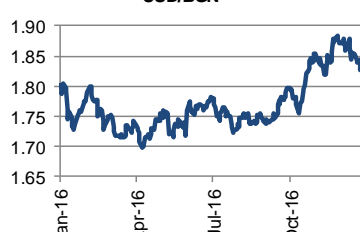
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8228	0.34%	1.95%

SOFIX Index



USD/BGN



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