



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 23, 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:** The January 31/February 1 FOMC monetary policy minutes released yesterday supported the view that a gradual Fed rate tightening path is likely to be appropriate failing though to provide any strong signal about the timing of the next rate hike. US long-dated Treasuries gained with the 2/10-yr US yield curve undertaking some further bullish. French sovereign bonds firmed on news that Francois Bayrou of France's Centre Party will not run for President and that he will, instead, support candidate Emmanuel Macron. In FX markets, the USD gained some ground supported by US Treasury Secretary Steven Mnuchin's comments that the strong dollar is "a good thing" in the long-run.

**GREECE:** Following a meeting with the German Chancellor Angela Merkel yesterday in Berlin, IMF Managing Director Christine Lagarde stated that the IMF was "much more confident after the progress made by the Greek authorities" but that reforms were urgently needed in the country's pension and income tax systems, as well as in other areas. Furthermore, she argued that more clarity on the medium-term debt relief measures is expected once the review has been closed, noting that "What will be needed is not a haircut if the reforms are done, but a significant extension of maturity, a significant interest rate capping, and that will have to be discussed in greater detail later on as progress is made on the reform front".

### SOUTH EASTERN EUROPE

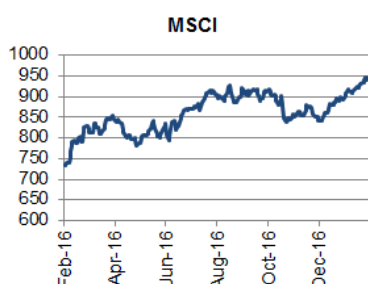
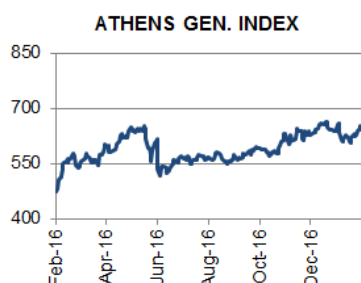
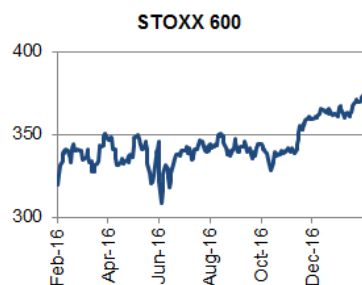
**CESEE MARKETS:** Emerging stock markets broadly firmed in early European trade on Thursday, extending their recent gains, after the Fed meeting minutes. In the CESEE region, assets trod water in morning trade.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the tone of the January 31/February 1 FOMC monetary policy minutes was largely in line with Fed Chair Yellen's semi-annual testimony last week. Many policymakers supported the view that it may be appropriate to raise interest rates again "fairly soon" should employment and inflation data evolve in line with Fed expectations. However, a number of participants expressed uncertainty about the prospect of changes in fiscal and other government policies under Donald Trump's administration as well as about the timing and magnitude of net effects on the domestic economy. With market participants remaining skeptical over whether the Fed will hike rates soon and extensively enough to compensate for higher inflation in the months ahead, US long-dated Treasuries gained some ground with the 10-yr yield hovering around 2.41% in European trade after ending close to 2.42% in the prior session. Meanwhile, the 2-yr US Treasury bond yield was little changed compared to yesterday's settlement. The 2/10-yr US yield curve undertook some further bullish flattening with the corresponding spread standing close to a five-week low of 118.7bps at the time of writing. Meanwhile, German Bunds retained a firm tone favored by prevailing market uncertainty ahead of upcoming elections in a number of major countries. The 2-yr Bund yield was hovering around -0.88% at the time of writing, within distance from yesterday's fresh record low of -0.92%. French sovereign bonds firmed on news that Francois Bayrou of France's Centre Party will not run for President and that he will instead support candidate Emmanuel Macron. The 10-yr German/French yield spread narrowed close to 73bps, nearly 6bps narrower from recent multi-year highs. In FX markets, the USD gained some ground supported by US Treasury Secretary Steven Mnuchin's comments that the strong dollar is "a good thing" in the long-run.

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### GREECE

Following a meeting with the German Chancellor Angela Merkel yesterday in Berlin, IMF Managing Director Christine Lagarde stated that the IMF was "much more confident after the progress made by the Greek authorities" but that reforms were urgently needed in the country's pension and income tax systems, as well as in other areas. Furthermore, she argued that more clarity on the medium-term debt relief measures is expected once the review has been closed, noting that "What will be needed is not a haircut if the reforms are done, but a significant extension of maturity, a significant interest rate capping, and that will have to be discussed in greater detail later on as progress is made on the reform front". Meanwhile, according to press reports, the next steps for the conclusion of the 2nd programme review are as follows: 1) Technical staff return to Athens – most probably on February 28 – and agree on the size of the measures Greece needs to take, in the area of 2% of GDP, i.e. €3.6 billion or less depending on the 2016 fiscal over-performance and whether it is of a temporary or sustainable nature. 2) The institutions and Greek authorities agree on the type of measures that Greece must implement, comprising tax and pension reforms in the area of 1% of GDP each. At the same time, they agree on the offsetting measures to be adopted if primary surplus targets are exceeded. Both sets of measures are to be pre-legislated. 3) While the institutions are in Athens, Greece will have to negotiate with the IMF the Memorandum of Economic and Financial Policies (MEFP). Once these three steps have been concluded, there can reportedly be a Staff Level Agreement (SLA). The final step, involves the European institutions and the IMF agreeing on the size and duration of the primary surplus target after the expiration of the current programme as well as a further specification of the medium-term debt relief measures. A political endorsement of the overall agreement is likely to be granted either at the April 7 or at the May 22 Eurogroup.

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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

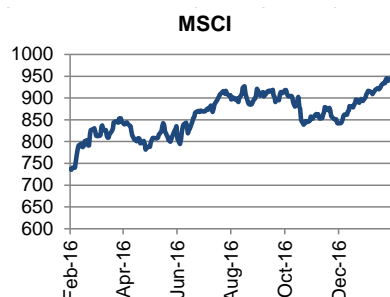
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Emerging stock markets broadly firmed in early European trade on Thursday, extending their recent gains, after the Fed meeting minutes that were released yesterday indicated that only "a few" FOMC participants are ready to hike in March. In this context, the MSCI Emerging Markets index rose modestly earlier in the session reaching a new 19-month peak intraday. The index has trailed the rally in global bourses over past weeks, to stand ca 10% firmer on a year-to-date basis thanks to overall positive economic growth prospects, encouraging corporate earnings reports and somewhat soothed worries over government policies recently. Higher commodity prices have also favored related shares.

In the CESEE region, assets trod water in morning trade. Regional bourses were mixed, with Hungary's BUX leading the way lower to stand 1.1% weaker on a daily basis. The decline was reportedly driven by falling Magyar Telekom and OTP Bank shares, with the index retreating from record highs hit in the prior session. On the flipside, the Romanian BET index rallied to new near decade highs as recent upbeat corporate earnings reports continued to have an impact. In FX markets, the Turkish lira reached a new 1 ½ month high at 3.5690/\$ in late Asian trade despite a stronger US dollar. On the other hand, the Polish zloty broadly underperform its regional peers, with the EUR/PLN rising by 0.3% compared to the prior session's settlement to stand at 4.3090 at the time of writing after data showed that the rate of unemployment rose to 8.6% in January from 8.3% a month earlier.

Today, Romania and Serbia hold bond auctions. Meanwhile, CPI data for January in Serbia is also on the forefront.

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February 23, 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	2362.82	-0.1%	5.5%	EUR/USD	1.0544	-0.1%	0.2%	UST - 10yr	2.41	-1	-4	GOLD	1238	0.0%	7.4%
Nikkei 225	19371.46	0.0%	1.3%	GBP/USD	1.247	0.2%	0.9%	Bund-10yr	0.27	-1	6	BRENT CRUDE	57	1.4%	-0.3%
STOXX 600	373.97	0.2%	3.5%	USD/JPY	113.21	0.1%	3.3%	JGB - 10yr	0.08	0	4	LMEX	2896	-0.3%	8.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	0	0
1-week	3.10	-1	-7
1-month	3.34	-2	-1
3-month	3.55	-1	8
6-month	3.70	-2	4

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-1
5Y RSD	5.45	-1	10
7Y RSD	5.71	0	7

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.05	-1	-27
USD Nov-24	6.50	2	9

#### CDS

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

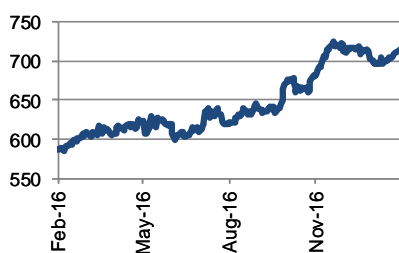
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	713.2	-0.15%	-0.58%

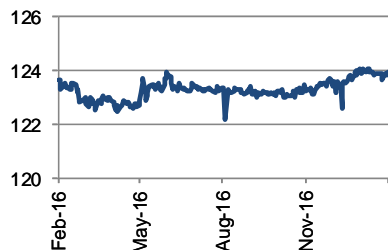
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.91	-0.06%	-0.36%

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	0.83	1	-7
6-month	1.05	-1	-6
12-month	1.24	0	-1

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	0	3
5Y RON	2.63	0	11
10Y RON	3.64	1	-1

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.09	0	-5
USD Jan-24	3.54	-1	-31

#### CDS

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

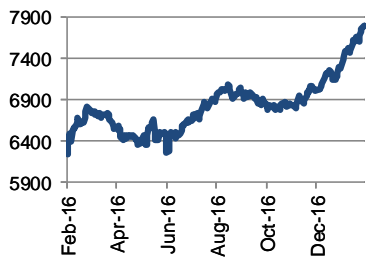
#### STOCKS

	Last	ΔD	ΔYTD
BET	8052.5	0.21%	13.65%

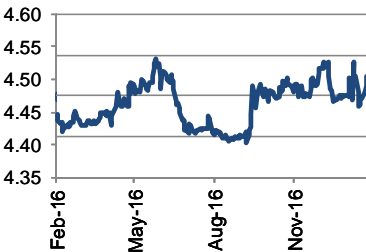
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5189	-0.02%	0.44%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	-21	-30
1-month	-0.16	0	0
3-month	-0.07	0	0
6-month	0.06	0	-2
12-month	0.40	0	-1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.08	1	-7
5Y BGN	0.33	-3	-17
10Y BGN	1.72	0	-19

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.40	-6	-8
EUR Sep-24	1.61	11	-7

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	-1	-37
10-year	157	-1	-37

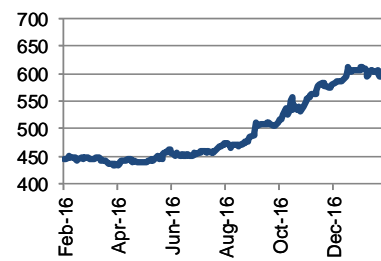
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	609.2	-0.19%	3.89%

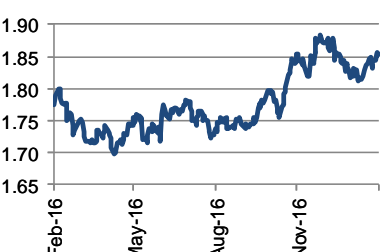
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8551	-0.13%	0.18%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:20 EET

February 23, 2017

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