



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 24, 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, 1st 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: Major US stock indices edged lower overnight, the USD weakened and US Treasuries gained as US President Donald Trump's protectionist trade stance has undermined optimism about the US growth outlook. Favored by the USD's weakness, the GBP/USD bounced to the highest level since mid-December with investors awaiting the UK Supreme Court's ruling later today on whether a parliamentary vote is required to allow the government to trigger Article 50. Focus today is also on the Italian Constitutional Court's ruling on the Lower House electoral law which is expected to be critical on the probability of early elections.

GREECE: The Greek FinMin Euclid Tsakalotos sent yesterday to official lenders a letter to prepare the ground ahead of the upcoming January 26th Eurogroup. The ESM and EFSF Boards approved yesterday the unfreezing of the short-term debt relief measures for Greece. Data released by the Bank of Greece on the balance of travel services for November 2016, show an increase in international arrivals by 11.7% but a drop in travel receipts by 13.8% due primarily to a 24% decrease in the average non-resident expenditure per trip.

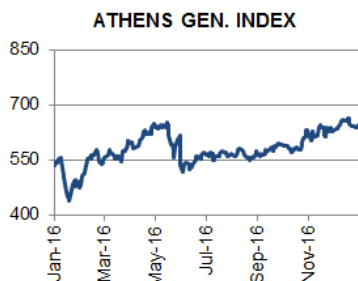
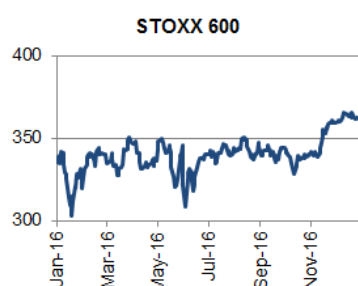
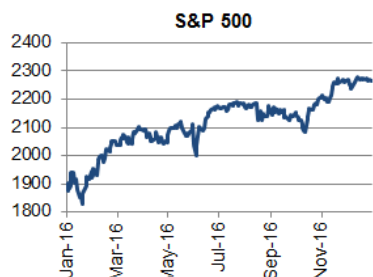
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Tuesday amid worries over US President Trump's policies. Focus today is on MPC meetings in Turkey and Hungary.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Major US stock indices edged lower overnight and the USD weakened as US President Donald Trump's protectionist trade stance has undermined optimism about the US growth outlook. In his latest executive order, the US President signed to formally withdraw the US from the 12-nation Trans-Pacific Partnership trade deal (TPP) and also vowed to renegotiate the North American Free Trade Agreement (NAFTA) with Canada and Mexico. The DXY index remained under pressure hovering around 100.260 in European trade at the time of writing, not far from a five-week intraday low of 99.899 marked in the prior session. Reports conveying that US Treasury Secretary nominee Mnuchin said in written answers to questions from senators that an excessive strong US dollar may have negative short-term implications on the economy, also weighed on the currency. Elsewhere, favored by the USD's weakness, the GBP/USD bounced to levels close to 1.2500 for the first time since mid-December with investors awaiting the UK Supreme Court's ruling today on whether a parliamentary vote is required to allow the government to trigger Article 50. With investors having second thoughts on the post-US President election reflation theme, US Treasuries gained with the 10-yr yield trading close to 2.41% in European trade, within distance from Monday's 2.38% multi-session intraday low after marking a three-week peak of 2.51% last week. Along these lines, the 10-yr Bund yield was standing below 0.38% at the time of writing, having pulled back from last week's six-week peak of 0.43%. Focus today is also on the Italian Constitutional Court's ruling on the Lower House electoral law which is expected to be critical on the probability of early elections.

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GREECE

The Greek FinMin Euclid Tsakalotos sent yesterday to official lenders a letter to prepare the ground ahead of the upcoming January 26th Eurogroup. According to press reports, the letter expresses the willingness of the Greek side to take steps towards bridging the remaining differences in the context of the 2nd programme review in order for the institutions' staff to return to Athens and negotiations to be resumed. European Commission spokesperson Margaritis Schinas commented that "the Commission is working hard with the Greek authorities and the other partners to achieve the best possible progress ahead of the Eurogroup meeting with the aim to have the second review concluded as soon as possible". With regard to the letter he added that it will be discussed in the context of the negotiations and among Eurogroup members. Meanwhile, the ESM and EFSF Boards approved yesterday the unfreezing of the short-term debt relief measures for Greece. The ESM Managing Director Klaus Regling estimated that if the short-term measures are fully implemented Greece's debt to GDP ratio will be cumulatively reduced by approximately 20 pps until 2060 while the country's net financing needs will fall by approximately 5 pps in that time. ESM Head also noted that the short-term debt relief measures do not have any "budgetary implications" for ESM member-states but also added that the success of the Greek programme depends on the constant implementation of reforms by the Greek government. On the data front, data released by the Bank of Greece on the balance of travel services for November 2016, show an increase in international arrivals by 11.7% but a drop in travel receipts by 13.8% due primarily to a 24% decrease in the average non-resident expenditure per trip. For the period January – November 2016 arrivals rose by 4.9% while receipts fell by 6.6%. Important increases were recorded in arrivals from Greece's main tourism markets Germany (+11.5%), UK (+20.6%) and Russia (+16.0%).

January 24, 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

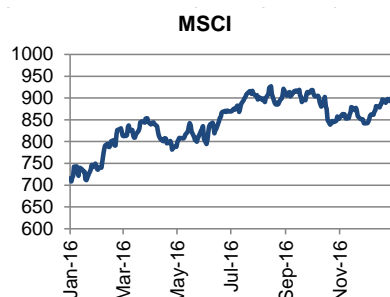
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 Tuesday amid worries over US President Trump's policies. In FX markets, the Turkish lira hovered around levels of 3.7520/\$, within distance from a 1-week peak close to 3.7480/\$ hit earlier in the session. The Central Bank (CBRT) holds its monthly meeting today with market participants awaiting rate hikes in all key interest rates as the lira remains not too far from recent record lows of 3.94/\$ and inflation surprised to the upside in December coming in at 8.53%YoY, bouncing further above the official 5% target. 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.

Recall that the currency has come under significant depreciation pressures over recent months amid heightened domestic political and economic concerns. Increased security worries have also weighed on the TRY, following a string of recent terrorist attacks and the July 2016 failed coup attempt. The Central Bank has rendered over the last couple of weeks a series of TRY-liquidity tightening measures in order to support the lira. However, should the CBRT disappoint expectations today, the lira is likely to come under renewed depreciation pressures in the sessions ahead. Also in focus for setting the tone for the Turkish currency in the near term 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 likely on Friday. Presently, Fitch is the only of the three main agencies to rate Turkey in investment grade after Moody's downgraded its credit ratings for the country to Ba1 in September. S&P also revised lower its credit rating on Turkey by one notch in July to BB.

Elsewhere in the CESEE region, the Central Bank MPC meeting in Hungary also lures market attention on Tuesday. MNB is broadly anticipated to maintain today its key policy rate at the current record low level of 0.90%.

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January 24, 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	2265.20	-0.3%	1.2%	EUR/USD	1.0743	-0.2%	2.1%	UST - 10yr	2.41	2	-3	GOLD	1213	-0.4%	5.3%
Nikkei 225	18787.99	-0.5%	-1.7%	GBP/USD	1.247	-0.5%	0.9%	Bund-10yr	0.38	2	17	BRENT CRUDE	56	0.9%	-1.9%
STOXX 600	361.95	0.3%	0.1%	USD/JPY	113.21	-0.4%	3.3%	JGB - 10yr	0.05	-1	1	LMEX	2809	0.6%	5.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.10	-1	-7
1-month	3.33	-2	-2
3-month	3.46	-1	-1
6-month	3.67	-1	1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.43	0	7
7Y RSD	5.69	-1	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.17	-2	-16
USD Nov-24	6.47	2	6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	205	1	-2
10-year	248	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	698.1	-0.41%	-2.69%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	124.07	-0.02%	-0.49%

ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	1	-2
5Y RON	2.53	0	1
10Y RON	3.45	0	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.05	0	-9
USD Jan-24	3.70	-2	-16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-15
10-year	137	-1	-15

STOCKS

	Last	ΔD	ΔYTD
BET	7271.0	-0.26%	2.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5028	0.00%	0.80%

BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	3	-5
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.07	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	0	-4
5Y BGN	0.53	0	3
10Y BGN	1.82	0	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.46	2	-14
EUR Sep-24	1.59	86	-9

CDS

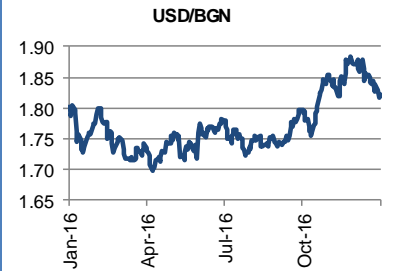
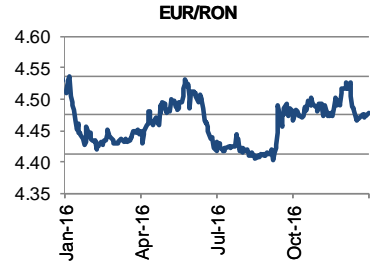
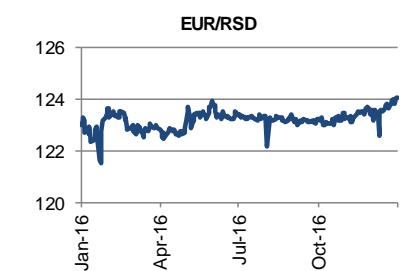
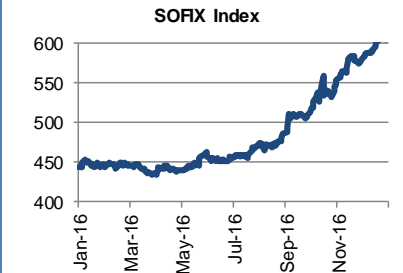
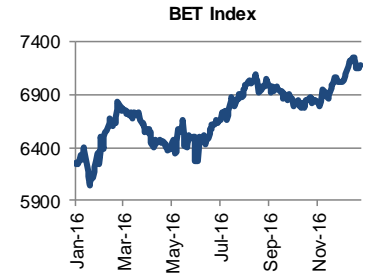
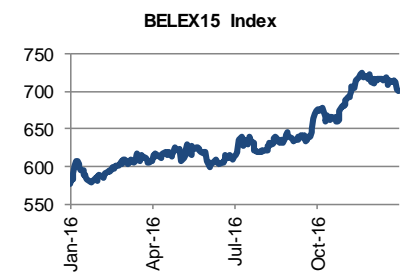
	Last	ΔDbps	ΔYTD bps
5-year	119	0	-33
10-year	160	0	-34

STOCKS

	Last	ΔD	ΔYTD
SOFIX	608.0	0.45%	3.67%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8209	-0.23%	2.06%



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

January 24, 2017

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