



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 26, 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: Taking their lead from the positive tone in Wall Street overnight where the Dow Jones Industrial Average index moved above the 20,000 level for the first time ever, major Asian bourses rose on Thursday supported by solid US corporate earnings results and optimism over a major fiscal stimulus from US Donald Trump's administration. Failing to capitalize on Wall Street's positive tone, the USD remained under pressure amid worries over Donald Trump's trade protectionism stance. According to the Italian Constitutional Court's ruling on the electoral law for the lower house (Italicum), the majority premium for the party that comes first was upheld, provided that it gets at least 40% of the votes. However, it ruled against the second round ballot between the top-two parties to decide which will get such premium if no party secures 40% of the votes in the first round.

GREECE: The Eurogroup that is scheduled to convene today will discuss the progress achieved to date in the ongoing 2nd review of Greece's 2rd Economic Adjustment Programme as well as the implementation of the short-term debt relief measures, following their official approval by the ESM and EFSF Boards earlier this week. According to a senior Eurozone official there is a good chance that the institutions will find common ground so that the review can be successfully concluded by end February. The Governor of the Bank of Greece Yiannis Stournaras reiterated the need for the review to close in order for the economy to recover and encouraged all sides involved to show more flexibility.

SOUTH EASTERN EUROPE

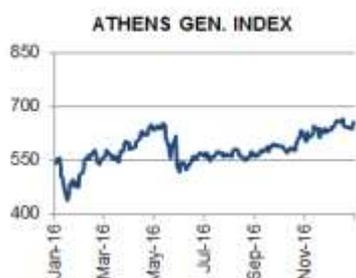
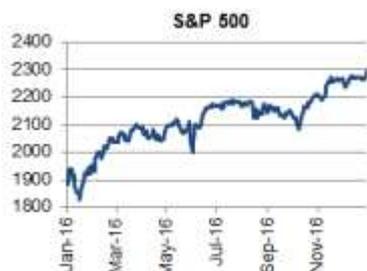
CESEE MARKETS: Emerging market assets continued to trade mixed earlier on Thursday as worries over US President Trump's protectionist stance counterbalanced a weaker dollar and new record highs in Wall Street overnight. Against this backdrop, emerging stocks moved higher, while regional currencies and government bonds were mixed. Today's CESEE calendar is relatively light. Focus on Friday turns to Fitch's review on Turkey's sovereign credit rating.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the positive tone in Wall Street overnight where the Dow Jones Industrial Average index moved above the 20,000 level for the first time ever, major Asian bourses rose on Thursday supported by solid US corporate earnings results and optimism over a major fiscal stimulus from US Donald Trump's administration. His business-friendly decisions since taking office including the signing of executive orders for reduced regulation on domestic manufacturers and the construction of two oil pipelines, also had an impact. The improved tone in global equity markets dented the safe-haven appeal of US Treasuries with the 10-yr yield rising to a four-week high of 2.54% in early European trade after falling close to 2.38% earlier this week. Subdued demand at a 5-yr auction on Wednesday, also weighed on US Treasuries. In FX markets, the USD remained under pressure amid worries over Donald Trump's trade protectionism stance. After announcing the withdrawal of the US from negotiations on the Trans Pacific Partnership (TPP) trade treaty and re-negotiation of the North American Free Trade Agreement (NAFTA), the US President approved this week the construction of a US-Mexican border wall and the adoption of certain measures aiming to control immigration. Recording cumulative losses of c. 3% from a multi-year high recorded in early January, the DXY index was hovering around 100.00 at the time of writing, approaching the 99.430 December low. Meanwhile, the EUR/USD was trading close to 1.0740/45 at the time of writing, not much changed compared to Wednesday's settlement as the Italian Constitutional Court's ruling on the electoral law for the lower house (Italicum) failed to exert a material market impact. The Constitutional Court accepted the majority premium for the party that comes first provided that it gets at least 40% of the votes. However, it ruled against the second round ballot between the top-two parties to decide which will get such premium if no party secures 40% of the votes in the first round. Importantly, the electoral law, as modified by the Court's ruling, does not require any action by parliament and thus it is immediately applicable, suggesting increased risks of early elections. .

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GREECE

The Eurogroup that is scheduled to convene today will discuss the progress achieved to date in the ongoing 2nd review of Greece's 2rd Economic Adjustment Programme as well as the implementation of the short-term debt relief measures, following their official approval by the ESM and EFSF Boards earlier this week. According to a senior Eurozone official there is a good chance that the institutions will find common ground so that the review can be successfully concluded by end February. He added that the participation of the IMF – which will be represented at today's Eurogroup by Poul Thomsen – in the programme is a prerequisite, otherwise there would be significant technical problems and long delays. Finally, he stressed that it is imperative that a solution be found by February as it is the last month before a "long electoral period" for a number of EU member states. In the same wavelength, the Governor of the Bank of Greece Yiannis Stournaras reiterated the need for the review to close in order for the economy to recover and encouraged all sides involved to show more flexibility. He argued that the successful conclusion of the review will trigger a sequence of positive developments, namely the inclusion of Greek eligible bonds into the ECB's QE programme, which will in turn allow for the a de-escalation of government bond spreads and potentially restore market access for Greece before the expiration of the present bailout programme. Nevertheless, the BoG Governor also pointed out the importance of the unswerving implementation of the structural reforms.

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January 26, 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

Latest economic & market developments in the CESEE region

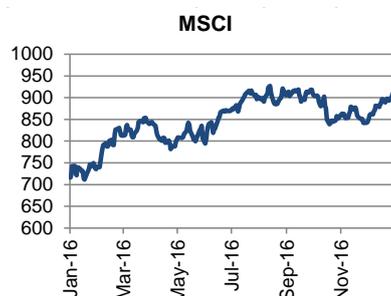
CESEE MARKETS

Emerging market assets continued to trade mixed earlier on Thursday as worries over US President Trump's protectionist stance counterbalanced a weaker dollar and new record highs in Wall Street overnight. Against this backdrop, emerging stocks moved higher, with the broad MSCI Emerging Markets index rising by 0.7% on the day. The index remained in the black for the 4th consecutive session and reached fresh 3-month highs earlier today. In the CESEE region bourses were mostly firmer. Poland's main WIG index led the way higher for the second day running, supported by Central Bank Governor Adam Glapinski's comments yesterday. NBP Governor suggested on Wednesday that interest rates may remain stable for up to two more years if economic activity picks up significant pace this year.

In FX markets, currencies were mixed in European trade today. In more detail, the Turkish lira remained under pressure. The USD/TRY traded at a new 2-week peak of 3.8610 at the time of writing after the Central Bank (CBRT) fell short of meeting market expectations for more aggressive rate hikes at its MPC meeting earlier in the week. Elsewhere in the CESEE region, the Hungarian forint lost further ground earlier today, with the EUR/HUF touching its highest level so far this year just above 310.70/€ after the Central Bank reaffirmed its dovish policy bias at its MPC meeting on Tuesday.

In the local rates markets, government bonds were also mixed. Turkish paper broadly outperformed its regional peers. The corresponding benchmark yields of shorted maturity fared better with the Turkish 2-year yield falling by 15bps to 2.057% in European trade.

Today's calendar is relatively light, with a Central Bank monetary policy meeting in Ukraine, amongst the most notable events in the CESEE region. The market's median forecast is for the key interest rate to remain unchanged at 14.00%. Focus on Friday turns to Fitch's review on Turkey's sovereign credit ratings, with a downgrade appearing highly likely.

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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

January 26, 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	2298.37	0.8%	2.7%	EUR/USD	1.0715	-0.3%	1.9%	UST - 10yr	2.54	3	10	GOLD	1193	-0.7%	3.5%
Nikkei 225	19402.39	1.8%	1.5%	GBP/USD	1.2601	-0.3%	2.0%	Bund-10yr	0.49	2	28	BRENT CRUDE	55	0.3%	-2.7%
STOXX 600	368.65	0.6%	2.0%	USD/JPY	114.29	-0.9%	2.4%	JGB - 10yr	0.09	2	5	LMEX	2844	-0.6%	6.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	1	0
1-week	3.13	3	-4
1-month	3.36	3	1
3-month	3.49	3	2
6-month	3.67	0	1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-1
5Y RSD	5.46	-1	11
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.18	-3	-14
USD Nov-24	6.48	1	6

CDS

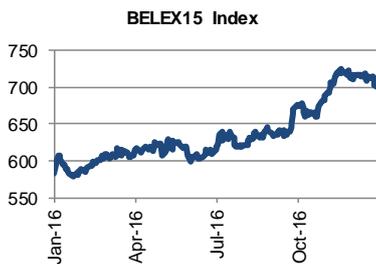
	Last	ΔDbps	ΔYTD bps
5-year	204	-1	-3
10-year	248	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	697.9	-0.04%	-2.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.91	-0.03%	-0.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	-2	-9
1-month	0.61	0	-15
3-month	0.82	0	-8
6-month	1.05	0	-6
12-month	1.22	-1	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	3	3
5Y RON	2.58	3	6
10Y RON	3.56	6	-9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.10	1	-4
USD Jan-24	3.77	2	-8

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	139	1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	7421.2	0.48%	4.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.499	0.03%	0.89%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	-2	-4
5Y BGN	0.49	-5	-2
10Y BGN	1.76	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.52	0	-19
EUR Sep-24	1.64	-21	-4

CDS

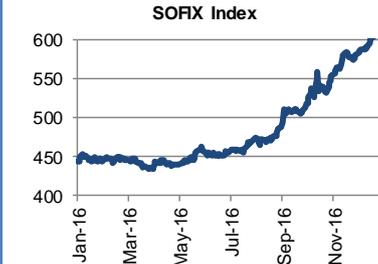
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-32
10-year	163	0	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	612.0	0.11%	4.37%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8254	-0.29%	1.81%



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

Data updated as of 12:40 EET

January 26, 2017

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