



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 28, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 27
  - Durable goods orders (Feb)
  - Pending home sales (Jan)
- Feb 28
  - GDP (Q4, 2<sup>nd</sup> est)
  - Case Shiller house price index (Dec)
  - Chicago PMI (Feb)
  - CB cons. confidence (Feb)
- Mar 1
  - Personal income / spending (Jan)
  - Core PCE (Jan)
  - ISM manufacturing (Feb)
  - Fed Beige Book
- Mar 2: Jobless claims (weekly)
- Mar 3: ISM non-manufacturing (Feb)

##### EUROZONE

- Feb 27: ESI (Feb)
- Feb 28: FR: GDP (Q4, 2<sup>nd</sup> est)
- Mar 1: PMI manufacturing (Feb, f)
- Mar 2: HICP (Feb)
- Mar 3: PMI services (Feb, f)

##### GREECE

- Feb 28: Retail sales (Dec)
- Mar 1: Markit PMI manufacturing (Feb)

##### CYPRUS

- Mar 2: CPI (Feb)

##### SEE

##### BULGARIA

- Feb 28
  - Gross external debt (Dec)
  - Budget balance (Jan)

##### ROMANIA

- Mar 1: international reserves (Feb)
- Mar 2
  - ILO U/E rate (Jan)
  - T-bonds auction
- Mar 3: Retail sales (Jan)

##### SERBIA

- Feb 28
  - Industrial production (Jan)
  - Retail sales (Jan)
  - GDP (Q4, f)
  - Current account (Dec)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market focus today is on US President Donald Trump's speech to Congress for guidance about the administration's plan on tax reform and infrastructure spending. The USD was modestly weaker in European trade while short-dated US Treasuries were firmer, triggering some bullish steepening in the 2/10 yield curve.

**GREECE:** The institutions' mission heads have returned to Athens to resume negotiations in the context of the 2nd programme review and are expected to stay for one week. According to press reports, the issues on the agenda today include the Hellenic Corporation of Assets and Participations, the Public Power Corporation, the tax-free threshold and the pension reform. Overall, the technical staff will work on an additional package of structural reforms to be legislated now and put into effect reportedly as of 1 January 2019.

### SOUTH EASTERN EUROPE

**BULGARIA:** The local equities renewed their rally last week, following more than a month of correction and consolidation. Meanwhile, the yield curves on both the local currency government debt and Eurobond markets moved downwards between 5 and 10 bps.

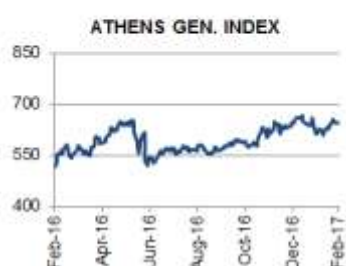
**SERBIA:** The EUR/RSD remained bound within a tight range over the last few days, despite a busy calendar on the domestic political and economic front.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market focus today is on US President Donald Trump's speech to Congress for guidance about the administration's plan on tax reform and infrastructure spending. In an interview late last week, US Treasury Secretary Steven Mnuchin said that the US President will preview some elements on his plans to make US companies more competitive and simplify the tax system including a reduction in the number of income tax brackets for individuals and a lower income tax for the middle class. On the issue, the US President said on Monday that he is seeking a "historic increase" in military spending that will be partially financed –according to unnamed government officials- by cuts to the State Department, Environment Protection Agency and other non-defense programs. Against this background, the USD was modestly weaker in European trade with the DXY index standing close to 101.050 at the time of writing, 0.1% lower on a daily basis but above a multi-session trough of 100.660 recorded late last week. After ending at 1.0550 on Monday, the EUR/USD was slightly firmer in European trade hovering around 1.0580/85 albeit still below a recent multi-session intraday high of 1.0630 as market participants remain focused on the upcoming French presidential election and the risk Marine Le Pen winning following the unexpected outcome of the US' Presidential election and the UK referendum last year. Meanwhile, short-dated US Treasuries were firmer in European trade with the 2-yr yield trading close to 1.19%, 1.5bps lower on a daily basis, triggering some bullish steepening in the 2/10 yield curve. Looking at the global calendar for the remainder of the week, a number of FOMC officials are scheduled to speak including Chair Janet Yellen on Friday. In the euro area, today's inflation data for February ahead of Thursday's retail sales figures for January take centre stage.

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### GREECE

The institutions' mission heads have returned to Athens to resume negotiations in the context of the 2nd programme review and are expected to stay for one week. According to press reports, the issues on the agenda today include the Hellenic Corporation of Assets and Participations, the Public Power Corporation, the tax-free threshold and the pension reform. The technical staff will also work on an additional package of structural reforms to be legislated now and put into effect reportedly as of 1 January 2019. The fiscal size of these measures could reportedly be 2% of GDP, i.e. €3.6 billion, or less. At the same time, an offsetting package of measures will be determined which will also be pre-legislated. A key factor in these deliberations will be the fiscal overperformance of 2016 and whether it is of a temporary or sustainable nature. A number of other pending items that must also be closed pertain to the labour and energy market reform, the management of NPLs and the out-of-court workout and the fiscal gap for 2018. Once a Staff Level Agreement (SLA), the institutions will have to determine the size of the primary surplus target beyond 2018 and the number of years it will have to be attained. Meanwhile, the Alternate Minister of Finance George Chouliarakis claimed in an interview that the inclusion of Greek eligible bonds in the ECB's QE programme requires a SLA but also the further specification of the medium term debt relief measures, which is also a pre-requisite for the participation of the IMF in the Greek bailout programme. Considering these factors, he is strongly in favour of a good deal now rather than a better one later and appears confident that QE will come right after the conclusion of the 2<sup>nd</sup> programme review. In other news, Finance Minister Euclid Tsakalotos is expected to brief later today the Committee for Economic Affairs of the Hellenic Parliament about the outcome of the February 20 Eurogroup.

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February 28, 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		
	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

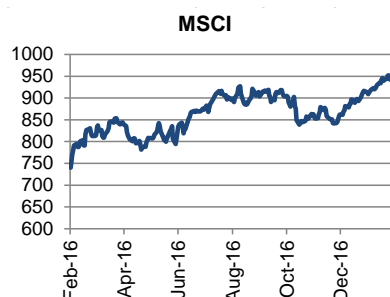
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

The local equities renewed their rally last week, following more than a month of correction and consolidation. The positive trend was mostly driven by a rise in the SOFIX-based EXPAT ETF. The upcoming listing on the London Stock Exchange will contribute to the liquidity of the fund and broaden the investor base. In more detail, the main SOFIX index recorded a 2.63% increase in the last week or so to close at 611.95 points on Monday. Meanwhile, the yield curves on both the local currency government debt and Eurobond markets moved downwards between 5 and 10 bps. As expected, Monday's auction received strong demand with the bid/cover ratio at 3.55 and a record low average yield of 0.18%. Banks acquired the largest share of the placement (39.32%), followed by guarantee state funds (32.57%) and pension funds (21.09%). Insurance companies took the rest (7.02%). The next treasury auction is set for March 20<sup>th</sup> for BGN 100mn to be placed in the 10.5-year benchmark paper.

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### SERBIA

The EUR/RSD remained bound within a tight range of 123.80 – 124.00 over the last week or so, despite a busy calendar on the domestic political and economic front. Incumbent President Tomislav Nikolic decided to refrain from entering into the election race against Prime Minister Aleksandar Vucic, whose candidacy was announced a week before. Finally, the Prime Minister rejected the option of early parliamentary elections in tandem with the presidential poll, ending weeks of speculation. The actual date for the presidential elections has not yet been set, but unofficial reports suggest that the vote is likely to take place on April 9<sup>th</sup>. On the macro front, headline CPI for January marked a considerable increase, rising by 1.4% on a monthly basis and pushing the annual rate of inflation to 2.4%, from 1.6% in December.

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February 28, 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	2369.75	0.1%	5.8%	EUR/USD	1.0586	0.0%	0.6%	UST - 10yr	2.36	-1	-8	GOLD	1251	-0.1%	8.6%
Nikkei 225	19118.99	0.1%	0.0%	GBP/USD	1.2433	-0.1%	0.6%	Bund-10yr	0.21	1	0	BRENT CRUDE	56	-0.1%	-1.7%
STOXX 600	369.46	0.0%	2.2%	USD/JPY	112.41	0.3%	4.1%	JGB - 10yr	0.06	0	1	LMEX	2868	0.2%	7.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	0	1
1-week	3.11	0	-6
1-month	3.35	0	0
3-month	3.56	1	9
6-month	3.71	0	5

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	10
7Y RSD	5.71	0	8

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.99	-4	-33
USD Nov-24	6.51	2	10

**CDS**

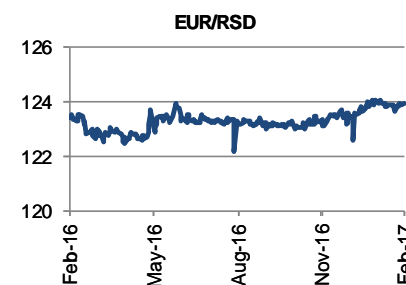
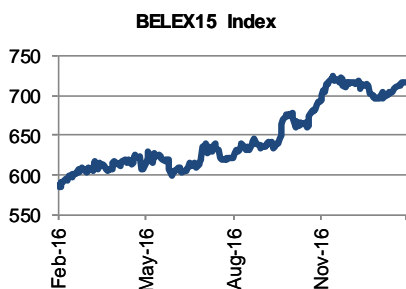
	Last	ΔDbps	ΔYTD bps
5-year	205	0	-2
10-year	248	0	-8

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	716.2	-0.07%	-0.16%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.86	0.00%	-0.32%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	1	-7
1-month	0.63	0	-13
3-month	0.82	0	-8
6-month	1.05	0	-6
12-month	1.24	1	-1

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.63	0	1
5Y RON	2.62	0	10
10Y RON	3.64	0	-1

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	-3	-12
USD Jan-24	3.51	0	-35

**CDS**

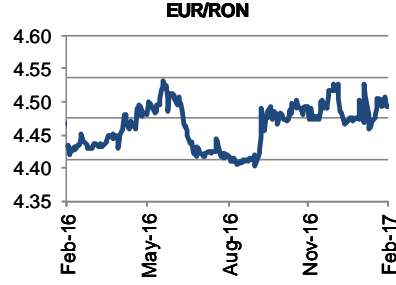
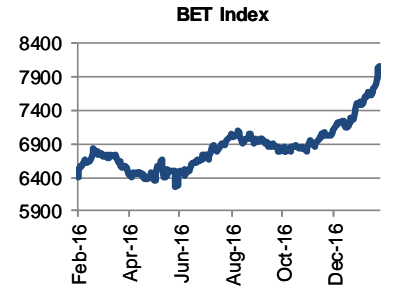
	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	139	0	-13

**STOCKS**

	Last	ΔD	ΔYTD
BET	8021.6	0.15%	13.22%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5139	0.03%	0.56%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.20	-4	-20
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.06	0	-2
12-month	0.42	0	1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.05	0	-10
5Y BGN	0.37	3	-14
10Y BGN	1.72	0	-18

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.54	-5	-21
EUR Sep-24	1.62	-36	-6

**CDS**

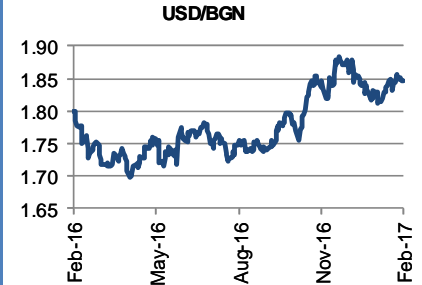
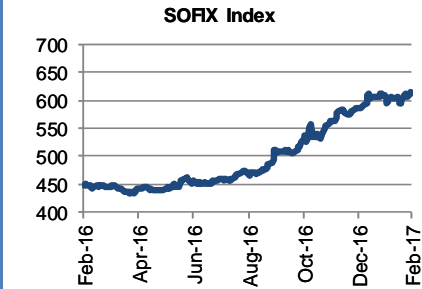
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	164	0	-30

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	613.8	0.21%	4.67%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8478	-0.01%	0.57%



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

Data updated as of 11:45 EET

February 28, 2017

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