



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, January 30, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 30
 - Personal income / spending (Dec)
 - Core PCE (Dec)
- Jan 31
 - Chicago PMI (Jan)
 - CB Consumer Confidence (Jan)
- Feb 1
 - ADP employment (Jan)
 - ISM manufacturing (Jan)
 - FOMC decision
- Feb 2: Initial claims (weekly)
- Feb 3
 - Non-farm payrolls (Jan)
 - U/E rate (Jan)
 - ISM non-manuf (Jan)

UK

- Feb 2: MPC meeting & Inflation report

EUROZONE

- Jan 30: ESI (Jan)
- Jan 31
 - GDP (Q4 2016, 1st est)
 - HICP (Jan)
- Feb 1: PMI manuf. (Jan)
- Feb 3: PMI services (Jan)

GREECE

- Jan 30: Retail sales (Nov)

SEE

BULGARIA

- Jan 30: PPI (Dec)

ROMANIA

- Jan 31: ILO U/E rate (Dec)
- Feb 1: International reserves (Jan)
- Jan 3: Retail sales (Dec)

SERBIA

- Jan 31
 - Trade balance (Dec)
 - Retail sales (Dec)
 - IP (Dec)
 - GDP (Q4, p)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US President Donald Trump signed an executive order on Friday aiming to curb immigration from seven Muslim-majority countries, reinforcing market worries over the impact of the new administration's protectionism stance on trade and the domestic economy. Against this background, major European equity markets opened lower and Wall Street stock futures point to a lower open while the USD remained under pressure. Looking at this week's calendar, some of the major data releases/events include euro area inflation data and the BoJ's policy meeting (Tuesday), the FOMC meeting (Wednesday), the BoE policy meeting (Thursday) and the US non-farm payrolls report for January (Friday).

GREECE: The main results of the 26 January Eurogroup were the non-negotiable participation of the IMF in Greece's 3rd bailout programme and the obligation of Greece to legislate upfront a package of measures to address the potential deviation from the target of a primary surplus of 3.5% in the medium term beyond 2018. It is expected that the Greek government will communicate its intentions for the steps ahead after February 6 when the IMF's Board of Directors is scheduled to discuss the Fund's sustainability analysis on Greece's public debt (DSA) and a review on the Greek economy, as it is believed that at this meeting the IMF will clarify its stance regarding the role it will assume in Greece's programme. In the following days the Greek government is planning to submit to parliament the bill for the out-of-court workout, a key prior action for the ongoing 2nd programme review. According to the Bank of Greece, in December 2016, total credit decreased by 6.08%yoy (against -2.72%yoy in December 2015).

SOUTH EASTERN EUROPE

BULGARIA: The local equity market broadly firmed last week, with the main SOFIX index recording its sixth consecutive weekly increase. In other news, the Ministry of Finance successfully placed a new 10.5-year bond paper on Monday at an average accepted yield of 1.76% and nominal value of BGN 50mn. Meanwhile, the sovereign local currency yield curve adjusted to the downside.

ROMANIA: The EUR/RON held last week onto this year's trading range of 4.4920/4.5090. Separately, near term RON rates remained near recent lows on ample market liquidity, while RON government bonds continued to bear steeper.

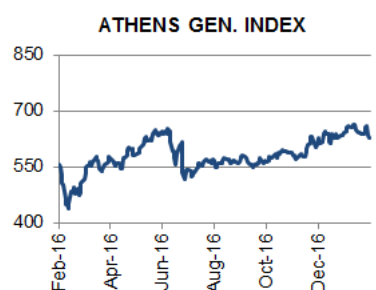
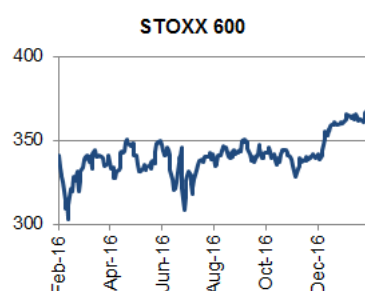
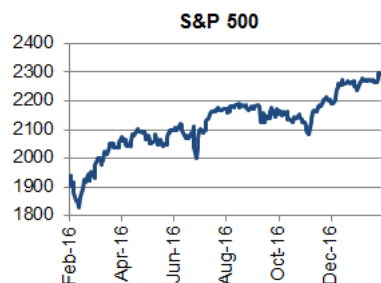
SERBIA: Despite downside pressures on the dinar, the EUR/RSD traded within a tight range of 123.80 – 124.05 last week following Central Bank (NBS) intervention in the FX markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US President Donald Trump signed an executive order on Friday aiming to curb immigration from seven Muslim-majority countries, reinforcing market worries over the impact of the new administration's protectionism stance on trade and the domestic economy. The executive order imposes a 120-day suspension of the US Refugee Admissions Program, a 90-day ban on all entry to the US from countries with terrorism concerns including Iran, Iraq, Libya, Somalia, Sudan, Syria and Yemen and halts indefinitely entry of Syrian refugees. Against this background, the majority of Asian bourses weakened on Monday, major European equity markets opened lower and Wall Street stock futures point to a lower open. US data on Friday showing that Q4 GDP grew by a lower than 1.9%QoQ annualised from 3.5% QoQ annualised in the prior quarter, also had an impact. Against this background, the USD remained under pressure. The DXY index was hovering around 100.540 in European trade at the time of writing, not much changed relative to the settlement in the prior session but not far from last week's 99.790 multi-week low after hitting a 14-year peak of 103.820 earlier this month. The FOMC holds its first meeting of the year on Wednesday. Market focus will be mainly on the post meeting statement where the committee is expected to stick to its positive view on the economic outlook and reiterate its intention for further normalization of the monetary policy. On the US data front, the core PCE deflator for December, the Fed's preferred inflation measure, is due for release later today ahead of Friday's January non-farm payrolls report. Looking at this week's calendar, investors' focus will also be, among others, on euro area inflation data for January, the BoJ's policy meeting, both due on Tuesday, as well as the BoE's policy meeting and the quarterly Inflation Report on Thursday.

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GREECE

The main results of the 26 January Eurogroup were the non-negotiable participation of the IMF in Greece's 3rd bailout programme and the obligation of Greece to legislate upfront a package of measures to address the potential deviation from the target of a primary surplus of 3.5% in the medium term beyond 2018. The upfront legislation could incorporate a clause that if the primary surplus target is attained, then the measures will not have to be implemented. For the time being, according to press reports, the Greek Ministry of Finance is seeking to determine exactly which measures should be legislated now as a minimum requirement for the negotiations to unfreeze and the review to progress. In any case, it is expected that the Greek government will communicate its intentions for the steps ahead after February 6 when the IMF's Board of Directors is scheduled to discuss the Fund's sustainability analysis on Greece's public debt (DSA) and a review on the Greek economy, as it is believed that at this meeting the IMF will clarify its stance regarding the role it will assume in Greece's programme. According to press reports, the IMF's DSA concludes that Greek public debt is highly unsustainable and calls for Greece to implement all the necessary reforms and for its European partners to adopt bolder debt relief measures. In other news, according to press reports, in the following days the Greek government is planning to submit to parliament the bill for the out-of-court workout, a key prior action for the ongoing 2nd programme review. Among others, the bill provides for the legal immunity of the representatives of banks and public entities that will be responsible for the out-of-court workouts, an important clause that is expected to accelerate the resolution of the NPLs problem. On the data front, according to the Bank of Greece, in December 2016, total credit decreased by 6.08%yoy (against -2.72%yoy in December 2015), with credit to private sector corporations falling by 1.85%yoy (against -2.67%yoy in December 2015) while credit to individuals and non-profit institutions dropping by 7.56%yoy (against -3.54%yoy in December 2016).

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January 30, 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

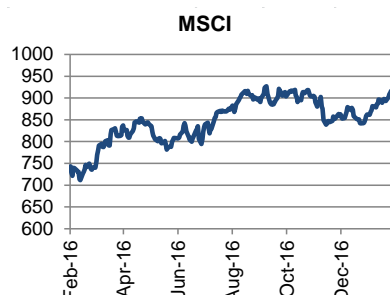
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Except for one busy session, the local equity market remained mostly quiet last week ahead of Q4 2016 financial results. The main SOFIX index recorded its sixth consecutive weekly increase, closing 0.90% higher near 610 points. In other news, the Ministry of Finance successfully placed a new 10.5-year bond paper on Monday at an average accepted yield of 1.76% and nominal value of BGN 50mn. The bid/cover ratio came in at 4.22, reflecting strong investor demand. Pension and guarantee state funds were the major buyers acquiring 45% of the size, followed by banks with a 42% share, while insurance companies accounted for the rest. Reflecting the tender's strong results as well as expectations on low supply on the primary market in 2017, the sovereign local currency yield curve adjusted to the downside. Eurobonds, on the other hand, saw yields slightly higher with those of paper that matures in 2023 moving some 15 bps higher.

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ROMANIA

The EUR/RON held last week onto this year's trading range of 4.4920/4.5090. Separately, near term RON rates remained close to the central bank's deposit facility of 0.25% as large deficit spending at the end of December flooded the market with liquidity again. The 1W implied rate from swaps remained unchanged around 0.35%, the 3M at ca 0.55%, while the 12M rate moved lower to 1.05% from 1.10% the previous Friday. RON government bonds continued to bear steeper as short term yields remained low amid excess money market liquidity, while the long end came under selling pressure in line with weak core and regional bond markets. Along these lines, the 1Y yield remained unchanged around 1.00%, while the 3Y yield jumped to 2.15% from 2.05% the previous Friday and the 10Y Jul 2027 jumped to 3.98% from 3.82%.

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SERBIA

Despite downside pressures on the dinar, the EUR/RSD traded within a tight range of 123.80 – 124.05 last week following Central Bank (NBS) intervention in the FX markets. NBS sold an amount of €45mn just above 124.00 last week to halt further weakening of the domestic currency. It still remains unclear whether NBS is ready to support dinar at the said level longer term or whether this is temporary action. In our view, further dinar depreciation pressures are likely in the weeks ahead (targeting 124.50 for end of February) amid increased hard currency demand mostly from the local industrial sector. Looking further ahead, the presidential election race will likely necessitate more proactive National Bank of Serbia action in order to mitigate large FX rate fluctuations. Against a backdrop of ongoing NBS presence in the FX markets, we believe that dinar will enter into period of very limited trading range.

The Public Debt Administration sold late last week RSD 5.6bn worth of a 7-year local currency new issue, just one third of the amount offered. The average accepted yield came in at 5.64%, in line with that achieved at a prior such auction held four months ago. The rather small percentage of bids accepted reflects the finance ministry's reluctance borrowing at relatively high interest rates at a time when budget revenues are constantly exceeding expectations deeming the government's financing requirements smaller. In this context, the Public Debt Administration rejected a week earlier all bids for 53W T-bond auction as yields on secondary market remain considerably higher.

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January 30, 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	2294.69	-0.1%	2.5%	EUR/USD	1.0697	0.0%	1.7%	UST - 10yr	2.49	1	5	GOLD	1190	-0.1%	3.3%
Nikkei 225	19368.85	-0.5%	1.3%	GBP/USD	1.2532	-0.2%	1.4%	Bund-10yr	0.49	3	28	BRENT CRUDE	55	-0.5%	-2.7%
STOXX 600	364.27	-0.6%	0.8%	USD/JPY	114.85	0.2%	1.9%	JGB - 10yr	0.09	0	4	LMEX	2808	0.2%	5.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	-1	-1
1-week	3.11	-2	-6
1-month	3.34	-2	-1
3-month	3.46	-3	-1
6-month	3.68	1	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	11
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.15	-1	-17
USD Nov-24	6.47	0	6

CDS

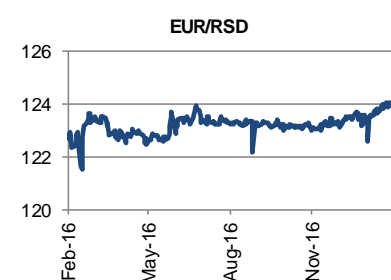
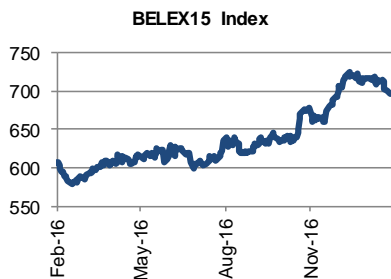
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	695.5	-0.14%	-3.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.91	0.10%	-0.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-10
1-month	0.6	0	-16
3-month	0.8	0	-10
6-month	1.03	0	-8
12-month	1.21	0	-4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	-1	7
5Y RON	2.62	0	10
10Y RON	3.61	1	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.13	2	-1
USD Jan-24	3.78	0	-7

CDS

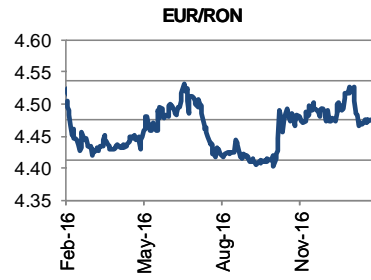
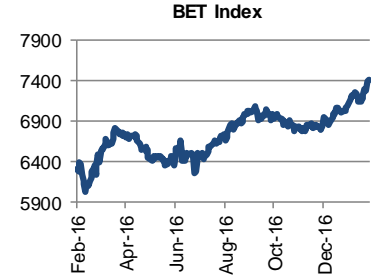
	Last	ΔDbps	ΔYTD bps
5-year	94	-1	-15
10-year	139	0	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7498.8	0.04%	5.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.504	0.40%	0.78%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	0	-5
1-month	-0.16	1	0
3-month	-0.07	1	0
6-month	0.07	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.09	-2	-6
5Y BGN	0.49	2	-2
10Y BGN	1.72	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.47	-5	-14
EUR Sep-24	1.63	-22	-5

CDS

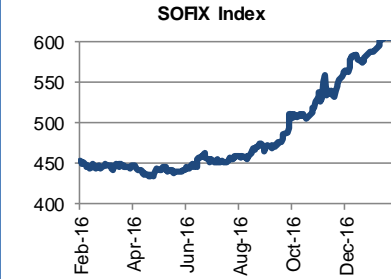
	Last	ΔDbps	ΔYTD bps
5-year	119	-1	-33
10-year	163	-1	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	610.3	0.03%	4.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8285	0.07%	1.64%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:50 EET

January 30, 2017

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