



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 31, 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: The majority of euro area government bonds weakened on Tuesday amid heightened ECB tapering talk after Germany's HICP rose to a 3 ½ year peak of 1.9%YoY in December. Elsewhere, most of global equity markets remained under pressure amid concerns about the impact of Donald Trump's protectionism policies. In FX markets, the CHF and the JPY were among the main outperformers favored by their safe-haven appeal.

GREECE: The ESM Managing Director Klaus Regling stated on Monday that further financial aid shall be disbursed to Greece in the context of the 3rd bailout programme once the IMF decides to be part of the programme on the grounds that this is what the member states want and the institutional agreement that was agreed in the past. ESM Head added that the IMF does not need to provide funds but its expertise is required. According to provisional data released by the Hellenic Statistical Authority, the volume index in retail trade in November 2016 rose by 3.6%yoy, while excluding automotive fuel the annual increase was 5.2%. The seasonally adjusted volume index in retail trade in November 2016 fell by 0.2%mom while excluding automotive fuel, the index rose by 0.5%mom.

SOUTH EASTERN EUROPE

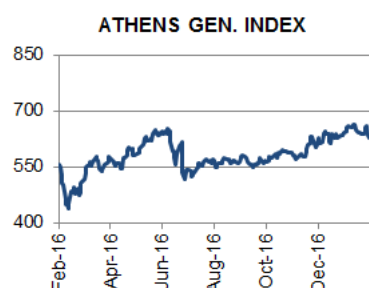
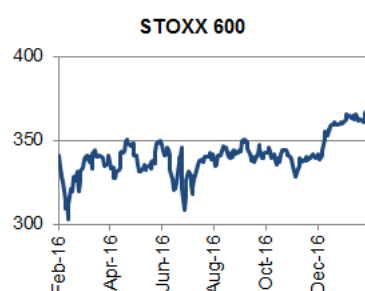
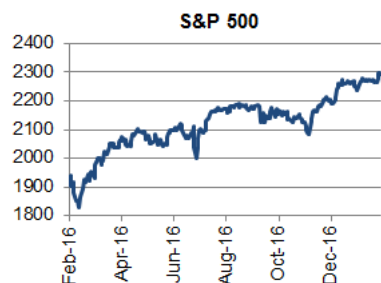
CESEE MARKETS: Emerging stock markets were on the back foot earlier on Tuesday amid lingering concerns over the new US President's policies on trade and immigration. In FX markets, a weaker US dollar provided some support to emerging market currencies. On the other hand, the Turkish lira lost some ground earlier today, giving back some of yesterday's gains.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of euro area government bonds weakened on Tuesday amid heightened ECB tapering talk after Germany's HICP rose to a 3 ½ year peak of 1.9%YoY in December, in line with market expectations, from 1.7%YoY in the prior month. France's 10-yr bond yield was hovering round 1.07% in European trade, not far from a 16-month intraday peak of 1.11% in the prior session facing additional upward pressure from uncertainty ahead of upcoming the presidential elections, a key political risk event for Europe. By contrast, the 10-yr Bund yield moved lower trading close to 0.48% after testing levels near 0.50% on Monday, taking the spread against its French counterpart to around 60bps, the widest in nearly three years. Along these lines, Italy's 10-yr bond yield was hovering around to 2.31%, within distance from Monday's 1 ½ intraday high of 2.35%. Increased probability of snap elections following Constitutional Court's ruling last week and heightened banking jitters, also weighed on Italian assets. Greece's government bonds also fared poorly with 10-yr bond yield rising to 7.66%, the highest in nearly three months and up c. 98bps from a year-to-date trough marked in the first trading session of the year amid worries that official discussions in the context of the 2nd programme review have proved more prolonged than earlier expected. Elsewhere, most of global equity markets remained under pressure as concerns about the impact of Donald Trump's protectionism policies prevail. In FX markets, the CHF and the JPY were among the main outperformers favored by their safe-haven appeal. The EUR/CHF fell to a seven month low of 1.0637 while the USD/JPY was hovering around a multi-session low of 113.70 in European trade. The BoJ's decision to remain on hold at today's policy meeting keeping the policy rate and the 10-yr yield target both unchanged at -0.1% and obps respectively, failed to exert an significant impact. Looking at today's economic calendar, focus will be on euro area Q4 GDP, euro area inflation data for January and US January's CB consumer confidence index.

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GREECE

The ESM Managing Director Klaus Regling stated on Monday that further financial aid shall be disbursed to Greece in the context of the 3rd bailout programme once the IMF decides to be part of the programme on the grounds that this is what the member states want and the institutional agreement that was agreed in the past. ESM Head added that the IMF does not need to provide funds but its expertise is required. On February 6 the Board of Directors of the IMF is scheduled to discuss the Fund's latest sustainability analysis on Greek debt and a review of the Greek economy and following this meeting it may clarify the role it will assume in the Greek programme. In other news, according to provisional data released by the Hellenic Statistical Authority, the volume index in retail trade in November 2016 rose by 3.6%yoy, while excluding automotive fuel the annual increase was 5.2%. With respect to the individual store categories the most significant annual increases were recorded in supermarkets (+6.4%), clothing and footwear (+6.1%), furniture, household and electrical equipment (+5.0%) and books, stationary and other goods (+14.8%). Decreases on an annual basis were recorded in food, beverages and tobacco (-6.6%), automotive fuel (-5.7%) and department stores (-1.2%). The seasonally adjusted volume index in retail trade in November 2016 fell by 0.2%mom while excluding automotive fuel, the index rose by 0.5%mom.

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January 31, 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

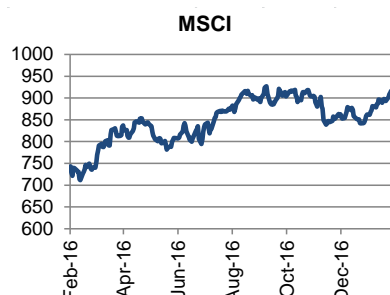
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 stock markets were on the back foot earlier on Tuesday amid lingering concerns over the new US President's policies on trade and immigration. The MSCI Emerging Markets index stood 0.6% lower earlier today. However, it appears poised to end the month with the largest gains recorded since March last year and to register the best January performance in five years thanks to global growth optimism stirred in view of US President Trump's expansionary fiscal plans. In the CESEE region, Polish stocks bucked the negative EM trend with the main WIG index marking a 0.7% rise at the time of writing on optimism ahead of earnings reports.

In FX markets, a weaker US dollar provided some support to emerging market currencies earlier on Tuesday. On the other hand, the Turkish lira lost some ground earlier today, giving back some of yesterday's hefty gains. Presenting the Central Bank (CBRT) quarterly Inflation report, Governor Murat Cetinkaya signaled that the recent measures adopted to support the lira will remain in place for some time. CBRT Governor added today that simplification of the current monetary policy framework is likely, once conditions are appropriate and volatility has been reduced. In addition, CBRT revised upward its CPI forecast for end-2017 to a mid-point of 8.0% from 6.5% before, envisioning inflation at 6.00% at the end of 2018. Against this backdrop, the USD/TRY hovered around levels of 3.7970 in European markets, having pulled back from a multi-session trough of 3.7697 hit on Monday. The pair recorded a 2-week high just above 3.91 after S&P unexpectedly revised on Friday its outlook on Turkey's credit rating to negative from stable and Fitch followed suit with a largely anticipated 1-notch downgrade to non-investment grade of BB+. Until last week Fitch was the only of the three main agencies to rate Turkey in investment grade. Moody's had downgraded its rating for the country to Ba1 in September and S&P had also revised it lower by one notch in July to BB.

Elsewhere, the Polish zloty was little changed trading at 4.3320/€ in morning European, with key macroeconomic data released earlier on the day appearing to have a limited impact. In more detail, real GDP growth came in at a 2-year low of 2.8% in 2016, slightly surpassing a market median forecast of 2.7%, but marking a slowdown from 3.6% recorded a year earlier. The said deceleration comes primarily on the back of falling investments due to lower EU fund flows, while consumption remained robust. Separately, yesterday's RON rally proved to run out of steam earlier on Tuesday, with the EUR/RON standing modestly higher at 4.5020 at the time of writing. The Romanian leu ended ca 0.6% higher at 4.4966 against the euro on Monday's settlement, receiving support from news that the government decided late last week to delay further the approval of the 2017 budget on disagreement over the size of spending on intelligence agencies.

Looking into the remainder of the week, Q4 2016 national accounts data for Serbia takes centre stage in the CESEE region today. January's manufacturing data due tomorrow, government bond auctions on Thursday and CPI data for Turkey on Friday are also in focus.

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January 31, 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	2280.90	-0.6%	1.9%	EUR/USD	1.0703	0.1%	1.7%	UST - 10yr	2.49	0	4	GOLD	1198	0.2%	4.0%
Nikkei 225	19041.34	-1.7%	-0.4%	GBP/USD	1.2435	-0.4%	0.6%	Bund-10yr	0.47	2	26	BRENT CRUDE	55	-0.2%	-3.0%
STOXX 600	362.73	0.0%	0.4%	USD/JPY	113.82	0.0%	2.8%	JGB - 10yr	0.09	0	4	LMEX	2791	-0.6%	5.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.11	0	-6
1-month	3.33	-1	-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	5.46	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	205	1	-2
10-year	248	0	-8

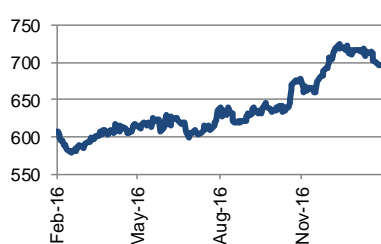
STOCKS

	Last	ΔD	ΔYTD
BELEX15	695.8	-0.18%	-3.01%

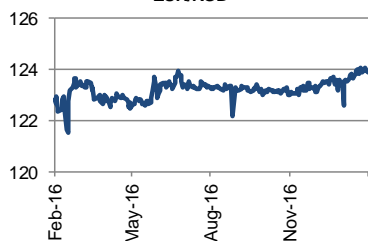
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.93	0.00%	-0.38%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	2	-9
1-month	0.6	0	-16
3-month	0.82	2	-8
6-month	1.02	-1	-9
12-month	1.2	-1	-5

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	1	10
5Y RON	2.72	3	20
10Y RON	3.73	5	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.15	3	1
USD Jan-24	3.83	0	-2

CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	1	-14
10-year	140	1	-12

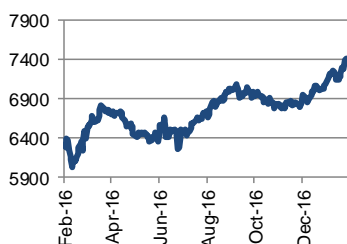
STOCKS

	Last	ΔD	ΔYTD
BET	7502.6	0.24%	5.89%

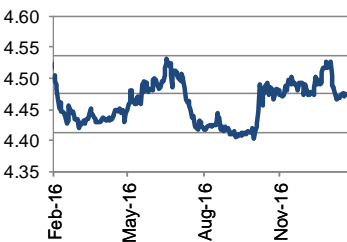
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5045	-0.09%	0.77%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	5	0
1-month	-0.17	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	0.10	0	-5
5Y BGN	0.43	-2	-8
10Y BGN	1.75	0	-16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.49	25	-17
EUR Sep-24	1.63	0	-5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	126	7	-26
10-year	170	8	-23

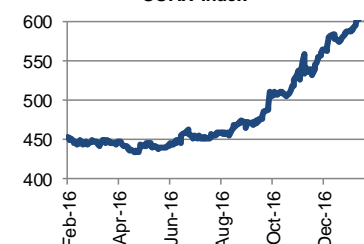
STOCKS

	Last	ΔD	ΔYTD
SOFIX	606.0	-0.61%	3.33%

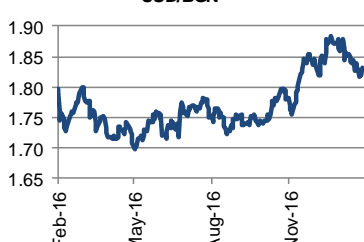
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8276	0.07%	1.69%

SOFIX Index



USD/BGN



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

Data updated as of 13:05 EET

January 31, 2017

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