

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, January 08, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- January 4: ISM manufacturing (Dec)
- January 6
 - ADP employment survey (Dec)
 - Trade balance (Dec)
 - ISM non-manufacturing (Dec)
 - Factory orders (Nov)
- January 7: Jobless claims (weekly)
- January 8: Nonfarm payrolls (Dec)

EUROZONE

- January 4: PMI manufacturing (Dec)
- January 5: Consumer prices (Dec, p)
- January 6: PMI services (Dec)
- January 7
 - Unemployment rate (Nov.)
 - Economic Sentiment (Dec)

GREECE

- January 7
 - Labour Force Survey (Oct)
 - Commercial transactions (Nov, p)
- January 8: IP Index (Nov)

SEE

BULGARIA

- January 8
 - Retail sales (Nov)
 - IP (Nov)
- January 9: U/E rate (Dec)

ROMANIA

- January 7
 - Retail sales (Nov)
 - ILO U/E rate (Nov)
 - MPC meeting
 - 4.75% 2025 T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the improved tone in the majority of Asian bourses, major European equity markets opened higher on Friday following the positive reaction of Chinese stocks to the suspension of the circuit breaker system for the Chinese equity market. The People's Bank of China also helped soothe markets by announcing a marginal strengthening of the yuan at the daily USD/CNY mid-point reference rate setting. The release of the US' December non-farm payrolls report lures market attention today.

GREECE: In a press conference yesterday, Dutch finance minister and Eurogroup President Jeroen Dijsselbloem was quoted saying that the process for the completion of Greece's 1st programme review will take months, not weeks. Meanwhile, as part of the planned pension system overhaul, the representatives of the country's biggest employers' associations reached an agreement with the Greek government yesterday for an increase in social security contributions as a means to avert a cut in existing pensions. On the data front, the Economic Sentiment Indicator for Greece improved in December coming in at a five-month high of 87.1 from November's 86.5.

SOUTH EASTERN EUROPE

BULGARIA: The Economic Sentiment Indicator improved further, rising to 106.2 in December, hitting a new post-Lehman high and coming in against 105.7 in November.

ROMANIA: Romania's FinMin sold at an auction on Thursday RON 333mn (~€73.6mn) of February 4.75% 2025 T-bonds, more than initially planned. On the data front, the December ESI Index surprised to the downside, declining further, by 1.3 points to 103.5.

CESEE MARKETS: The majority of **emerging stock markets** stood in the black in European trade on Friday led by a rebound in Asian shares after the Chinese government suspended a market circuit breaker system that was introduced on Monday and the Central Bank set a firmer yuan exchange rate. In a similar vein, **regional currencies** recovered ground earlier today thanks to somewhat improving risk sentiment. On the flipside, **government bonds** were flat to weaker in early European trade on Friday.

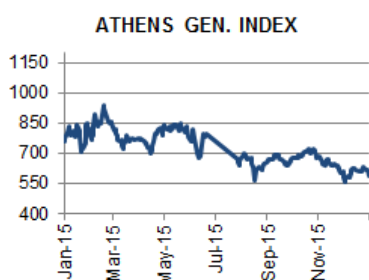
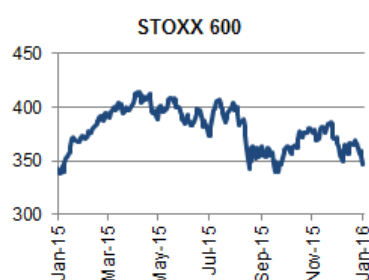
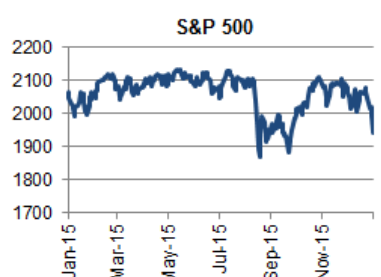
DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the improved tone in the majority of Asian bourses, major European equity markets opened higher on Friday following the positive reaction of Chinese stocks to the suspension of the circuit breaker system for the Chinese equity market which had been in place since the start of this week and was activated twice. The People's Bank of China also helped soothe markets by announcing a marginal strengthening of the yuan at the daily USD/CNY mid-point reference rate setting for the first time in nine sessions. The tentative improvement in market sentiment towards equity markets weighed on the JPY with the USD/JPY rebounding to levels around 118.50 in European trade after falling to 117.30 in the prior session, the lowest since mid-August 2015. Expectations for a positive US December non-farm payrolls report also had some impact. Consensus is for a payroll increase of 200k after November's 211k rise while the unemployment rate is seen remaining stable at 5.0%, the lowest since April 2008. A much stronger than anticipated report could potentially assist the USD to move higher on the perception that the Fed may speed up its rate tightening process. Yet, in view of the USD's recent hefty gains and lingering risks on the US growth outlook, any further USD appreciation may prove short-lived on a multi-session basis.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

In a press conference yesterday, Dutch finance minister and Eurogroup President Jeroen Dijsselbloem was quoted saying that the process for the completion of Greece's 1st programme review will take months, not weeks. He clarified that an agreement between the Greek government and the institutions has to be reached on a number of open issues, including inter alia, the new independent Privatization Fund, fiscal issues for 2017-2018 and the social security reform which is deemed the most important one. In addition, the Eurogroup President stressed that "you cannot have a programme without the participation of the IMF" noting that the Fund has the intention to participate financially in Greece's bailout programme not just as a technical consultant. Meanwhile, as part of the planned pension system overhaul, the representatives of the country's biggest employers' associations reached an agreement with the Greek government yesterday for an increase in social security contributions as a means to avert a cut in existing pensions. As a countermeasure, the government reportedly vowed to promote measures aiming to improve the business environment and lure investment flows in the Greek economy. As a reminder, the initial draft of the government's pension reform plan reportedly envisions, inter alia, a 1% and 0.5% increase respectively in employer and employee social security contributions. On the data front, the Economic Sentiment Indicator for Greece improved in December coming in at a five-month high of 87.1 from November's 86.5. The breakdown of the report showed that both the Industrial and Retail Trade Confidence Indicators rose, to a respective 7- and 6-month peak. In a similar vein, the Consumer Confidence Indicator advanced for the third month over the last five months of the year. Elsewhere, the seasonally adjusted jobless rate improved modestly in October to 24.5% from 24.6% in September and 26.0% in October 2014. This follows an all-time peak of 27.9% recorded in September 2013.

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.9	3.0
CPI (pa, yoy %)	-1.4	0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	2.5	1.4
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

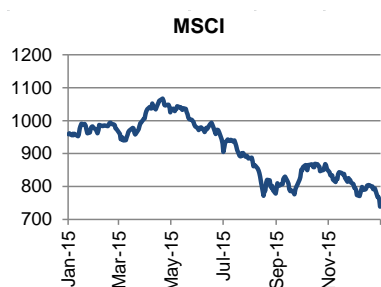
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

The Economic Sentiment Indicator (ESI) improved further to 106.2 in December, hitting a new post-Lehman high following a 105.7 print in November and compared to 105.6 in October. The improvement was more visible in the subsectors of industry and construction, which offset the slight deterioration in the other sub-categories. Lower energy prices and improved export orders are likely to have driven industry sentiment higher. Overall, the improvement of expectations throughout the past year has been impressive (ESI stood at only 100.5 at the end of last year) and broad-based in all sub-categories. Among those, the categories of services and consumers have been those ones registering the highest gains in the same period. Summing up, the readings of ESI for the last three months are looking favourable for the growth outlook of the last quarter of the year and in line with our latest full year projection of 3.0%. Bulgaria's real GDP rose by 2.9%YoY in Q3, the highest rate since 2011, up from a revised 2.6%YoY in the 1H-2015.

igkionis@eurobank.gr

ROMANIA

Romania's FinMin sold at an auction on Thursday RON 333mn (~€73.6mn) of February 4.75% 2025 T-bonds, in excess of an initially planned amount of RON 200mn (~€44.2mn). The average accepted yield came in at 3.7%, in line with that achieved at a prior tender of the same paper in December. Reflecting strong investor demand the bid to cover ratio came in at 2.9. On the data front, the December ESI Indicator surprised to the downside, diverging from the improvement trend witnessed in other regional peers. In more detail, the said index declined further by 1.3 points to 103.5 after a 0.7 points decrease recorded in November. This was the largest decline on a monthly basis in a year. The deterioration of expectations was more evident in consumer sentiment, which dropped down to -20.6 in December, the lowest level over a year, compared to -15.2 in last October, the highest reading in the post-Lehman period. To some extent, the deterioration reflects the impact of political uncertainty eruption after a deadly fire in a Bucharest nightclub and the subsequent Prime Minister resignation. Yet, the deterioration of expectations in two specific consumer sentiment sub-components-the general economic prospects over the next twelve months and the households' future savings- is something that requires further attention.

igkionis@eurobank.gr
gphoka@eurobank.gr

CESEE MARKETS

The majority of **emerging stock markets** stood in the black in European trade on Friday led by a rebound in Asian shares after the Chinese government suspended a market circuit breaker system that was introduced on Monday and the Central Bank set a firmer yuan exchange rate. Against this backdrop, the MSCI Emerging Markets index rose by ca 0.5% at the time of writing compared to Thursday's settlement, snapping a 2-day losing streak and trimming a small part of nearly 4% cumulative losses encountered over the last couple of sessions. In a similar vein, **regional currencies** recovered ground earlier today thanks to somewhat improving risk sentiment. The Polish zloty posed amongst the region's outperformers with the EUR/PLN falling by ca 0.25% on the day at the time of writing to 4.3340, though remaining within distance from Thursday's 1-month 4.3585 peak. Elsewhere, **government bonds** were flat to weaker in early European trade on Friday.

gphoka@eurobank.gr

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	1943.09	-2.4%	-4.9%	EUR/USD	1.0895	-0.3%	0.4%	UST - 10yr	2.18	3	-9	GOLD	1101	-0.7%	3.7%
Nikkei 225	17697.96	-0.4%	-7.0%	GBP/USD	1.4615	0.0%	-0.8%	Bund-10yr	0.55	1	-8	BRENT CRUDE	34	1.6%	-8.0%
STOXX 600	346.92	0.1%	-5.2%	USD/JPY	118.28	-0.5%	1.5%	JGB - 10yr	0.23	-2	-4	LMEX	2115	-1.5%	-4.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	297	2	-6
1-week	3.07	-5	-12
1-month	3.33	-7	-18
3-month	3.54	-12	-29
6-month	3.73	-15	-30

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.57	-2	-9
5Y RSD	5.09	-1	-4
7Y RSD	7.69	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.16	0	0
USD Nov-24	6.42	0	0

CDS

	Last	ΔDbps	ΔYTD bps
5-year	279	0	4
10-year	323	0	-16

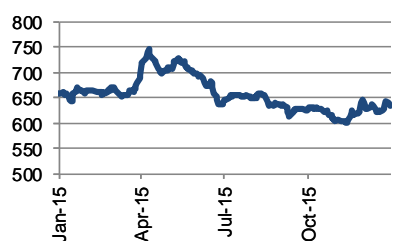
STOCKS

	Last	ΔD	ΔYTD
BELEX15	634.9	-0.01%	-1.43%

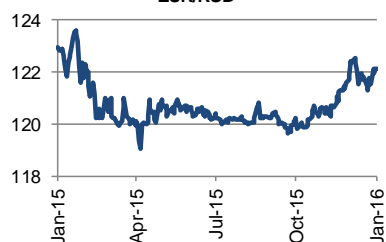
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.10	0.00%	-0.42%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	0	-13
1-month	0.63	0	-28
3-month	0.98	0	-72
6-month	1.34	0	-67
12-month	1.5	0	-52

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.43	-1	-88
5Y RON	1.96	-1	-75
10Y RON	3.67	0	1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	0.95	-3	-6
USD Aug-23	3.62	0	-11

CDS

	Last	ΔDbps	ΔYTD bps
5-year	133	-2	-10
10-year	171	-2	-16

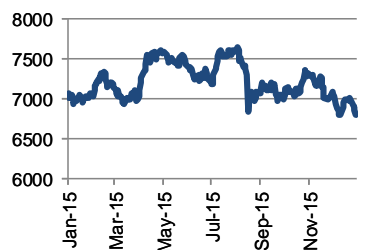
STOCKS

	Last	ΔD	ΔYTD
BET	6791.9	0.46%	-3.03%

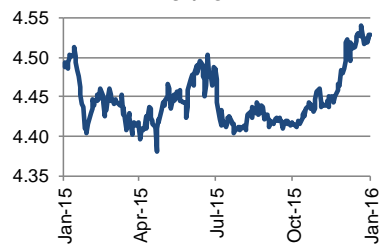
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5278	0.04%	-0.30%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	0.05	-6	-10
3-month	0.16	-6	-10
6-month	0.40	-8	-13
12-month	0.86	-9	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	-2	-6
5Y BGN	0.25	-2	-13
10Y BGN	1.77	0	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	0	-5
EUR Sep-24	2.36	5	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	170	-2	-21
10-year	215	-2	-26

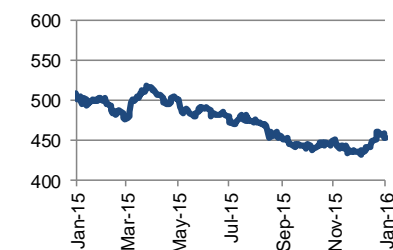
STOCKS

	Last	ΔD	ΔYTD
SOFIX	452.4	0.00%	-1.84%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7953	-0.34%	0.28%

SOFIX Index



USD/BGN



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

Data updated as of 10:15 EET

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Stylianios G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

