

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 07, 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: Risk off sentiment prevailed on Thursday amid heightened market worries over the extent of the recent slowdown in China's economic growth after the PBoC fixed the USD/CNY higher for the eighth consecutive day. Elsewhere, the latest bout of risk aversion favored the safe-haven appeal of major bond markets. In FX markets, the JPY was among the main outperformers.

GREECE: European Commission spokesman Margaritis Schinas confirmed earlier this week that Greece's official lenders have received an initial draft of the Greek government's pension reform plan. According to the local press, the said issue constitutes one of the key prior actions required for the successful completion of Greece's 1st programme review that is expected to commence in around two weeks.

SOUTH EASTERN EUROPE

ROMANIA: At its monetary policy meeting earlier today, NBR maintained interest rates unchanged at 1.75%. The decision was in line with our expectations and the vast majority by the consensus analysts in Bloomberg's poll (14 out of 15). However, there was a shift towards further easing as the MRRs for FX denominated liabilities was lowered to 12% from 14% previously.

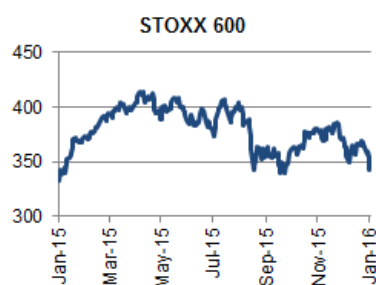
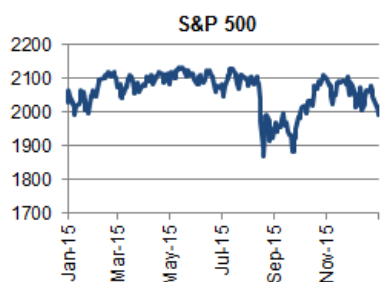
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Latest world economic & market developments

GLOBAL MARKETS

Risk off sentiment prevailed on Thursday amid heightened market worries over the extent of the recent slowdown in China's economic growth after the PBoC fixed the USD/CNY higher for the eighth consecutive day. China halted stock trading earlier today for the second time this week after Chinese equities dropped more than 7% at some point pushing Japan's Nikkei 225 below 18,000 for the first time since early October 2015 and MSCI's broadest index of Asia-Pacific shares outside Japan at its lowest level since late September 2015. Geopolitical tensions stemming from Saudi-Iran tensions and North Korea's nuclear test, also weighed on market sentiment towards equity markets. Elsewhere, the latest bout of risk aversion favored the safe-haven appeal of major bond markets. In FX markets, the JPY was among the main outperformers favored by increased risk aversion with the USD/JPY hovering around 117.50 at the time of writing, within distance from an intraday trough of 117.33 hit earlier in European trade, the lowest in more than six months. The minutes from the 15/16 December FOMC meeting which suggested that Committee members are concerned about the risk of persistently subdued US inflation pressures, also weighed on the US currency.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

European Commission spokesman Margaritis Schinas confirmed earlier this week that Greece's official lenders have received an initial draft of the Greek government's pension reform plan. According to the local press, the said issue constitutes one of the key prior actions required for the successful completion of Greece's 1st programme review that is expected to commence in around two weeks. As per the same sources, official creditors appear skeptical on the said draft plan, especially as regards the proposed increase in employer and employee social security contributions (1% and 0.5% respectively) as a means to avert a cut in existing pensions. Greece's Minister of Finance Euclid Tsakalotos is reportedly scheduled to meet a number of his euro area counterparts, including Germany's Wolfgang Schaeuble, in the coming days to discuss the proposed reform plan. Furthermore, Greece's Prime Minister Alexis Tsipras is reportedly expected to raise the said issue at the World Economic Forum in Davos scheduled to be held on January 21-22.

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January 7, 2016

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

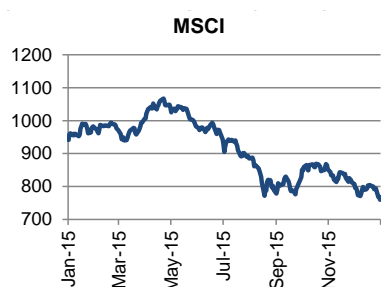
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	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

ROMANIA

At its monetary policy meeting earlier today, NBR maintained interest rates unchanged at 1.75%. The decision was in line with our expectations and the vast majority by the consensus analysts in Bloomberg's poll (14 out of 15). However, there was a shift towards further easing as the MRRs for FX denominated liabilities was lowered to 12% from 14% previously.

The MRRs of the domestic currency denominated liabilities were kept unchanged at 8%. In all previous commentaries we have alluded over the reasons why NBR could stay put on rates until mid-2016, looking beyond the supply side shock and the weak inflation outlook, which are fiscally induced by the VAT (both headline and food related) rate cuts.

First of all, the robust growth performance of the past year and the outlook for the year ahead, implies the sooner than expected closing of the output gap. Despite the political fall-out, Romania stood out of the pack for the second consecutive year in 2015, and is expected to be a regional outperformer in 2016 as well. Growth is expected to accelerate further to 4.1% in 2016, up from a projected 3.8% in 2015. Growth dynamics are driven by a private consumption spending boom, fuelled by the unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections scheduled in late 2016. Furthermore, external risks coming from the EM space weakness, the collapse of commodities prices and major Central Banks policy divergence have increased recently. That said, there is still enough space for NBR to lower the MRRs further should the need arise in 2016.

In other news, retail sales in November maintained the same impressive speed on an annual basis, expanding at the highest rate in seven years. On a seasonally and working day adjusted basis, retail sales expanded by +2.5% mom/+13% yoy in November compared to +2.1% mom/+12.7% yoy in October and +1.8% mom/+11.1% yoy in September. A large part of the increase is explained by the explosive rise of the food-related items (+1.4% mom/+29.0% yoy in November vs. +2.3% mom/+27.4% yoy in October) as a result of the VAT rate cut on food items effective since last June (from 24% to 9%) and their large share in the consumption basket (28%). In addition, the rise has started to become broader based. Non-food items also impressed, jumping by +5.4% mom/+6.3% yoy in November as a result of an increase in seasonal sales of furniture and electric appliances.

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January 7, 2016

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	1990.26	-1.3%	-2.6%	EUR/USD	1.0856	0.7%	0.0%	UST - 10yr	2.14	-3	-13	GOLD	1098	0.4%	3.5%
Nikkei 225	17767.34	-2.3%	-6.7%	GBP/USD	1.4569	-0.4%	-1.1%	Bund-10yr	0.50	-1	-13	BRENT CRUDE	34	-1.6%	-9.7%
STOXX 600	343.15	-3.2%	-6.2%	USD/JPY	117.58	0.8%	2.1%	JGB - 10yr	0.24	-1	-2	LMEX	2146	-0.4%	-2.6%

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	3.59	-3	-7
5Y RSD	5.09	-1	-3
7Y RSD	7.69	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.14	3	-2
USD Nov-24	6.42	0	1

CDS

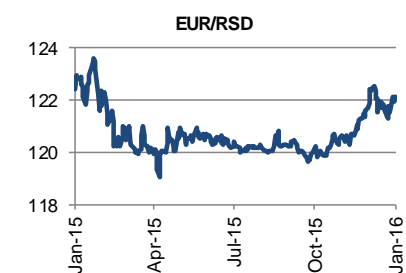
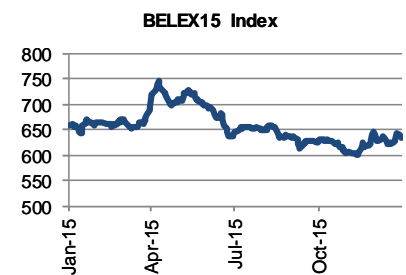
	Last	ΔDbps	ΔYTD bps
5-year	278	0	4
10-year	323	0	-16

STOCKS

	Last	ΔD	ΔYTD
BELEX15	634.9	-0.01%	-1.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.10	-0.15%	-0.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	-2	-13
1-month	0.63	-3	-28
3-month	0.98	0	-72
6-month	1.34	-1	-67
12-month	1.5	-2	-52

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.44	-1	-87
5Y RON	1.98	-1	-73
10Y RON	3.72	-3	6

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	0.95	-4	-6
USD Aug-23	3.61	-2	-12

CDS

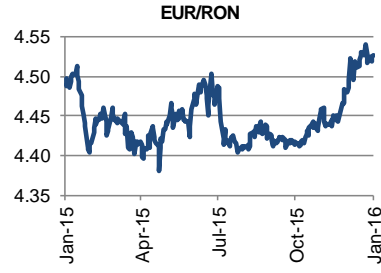
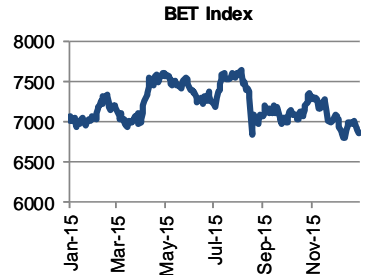
	Last	ΔDbps	ΔYTD bps
5-year	135	3	-8
10-year	173	2	-14

STOCKS

	Last	ΔD	ΔYTD
BET	6701.4	-1.51%	-4.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5268	-0.09%	-0.28%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	21	-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	0.02	-8	-3
5Y BGN	0.26	-3	-11
10Y BGN	1.84	0	-1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.01	0	-8
EUR Sep-24	2.36	-5	-6

CDS

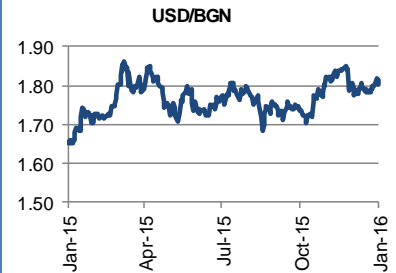
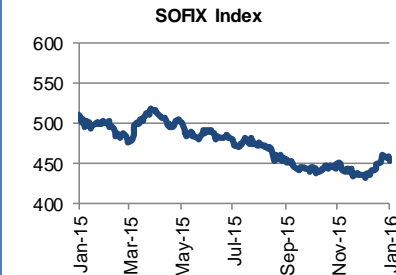
	Last	ΔDbps	ΔYTD bps
5-year	172	3	-19
10-year	216	3	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	453.0	-1.02%	-1.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8016	0.71%	-0.07%



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

Data updated as of 13:30 EET

January 7, 2016

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