

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, December 14, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- December 15
 - Empire manufacturing (Nov)
 - CPI (Nov)
- December 16
 - Housing starts (Nov)
 - Building permits (Nov)
 - Industrial production (Nov)
 - Markit Manufacturing PMI (Dec, p)
 - FOMC meeting
- December 17
 - Philly Fed (Dec)
 - Jobless claims (weekly)
- December 18: Markit PMI composite/ services (Dec, p)

EUROZONE

- December 14: Industrial production (Oct)
- December 16
 - CPI (Nov, f)
 - PMI manufacturing/ services/ composite (Dec, p)

GREECE

- December 17: U/E rate (Q3)

SEE

BULGARIA

- December 14
 - CPI (Nov)
 - U/E rate (Nov)
 - T-bonds auction
- December 17: Current account deficit (Oct)

ROMANIA

- December 14
 - Current account balance (Oct)
 - Industrial production (Oct)
 - 3.25% 2021 T-bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most Asian bourses edged lower on Monday following a global selloff amid investors' concerns about falling commodity prices and market caution ahead of this week's FOMC meeting. Elsewhere, major European equity indices were trading higher at the time of writing, helped by encouraging macro data over the weekend in China that showed signs of stabilization in the economy. In FX markets, the US dollar strengthened against its major currency peers, with investors awaiting the Fed to raise its fed funds rate by 25bps for the first time since 2006 on Wednesday. On the US data front, CPI, industrial production, housing starts, building permits for November due this week take centre stage, while regional manufacturing indices for December are also expected to lure market attention. In the euro area, the final estimate for November HICP and the preliminary estimate for December Markit PMI indices will probably be closely scrutinized by market participants.

GREECE: The Greek government reached an agreement with official creditors on Friday, December 11th, on the implementation of the 13 actions-milestones, paving the way for the disbursement of the €1bn sub-tranche by Friday, December 18th. Provided that the multi-bill is voted by the Greek Parliament and that the remaining open actions will be addressed too, the Euro Working Group is expected to convene on Wednesday, December 16th to assess progress.

SOUTH EASTERN EUROPE

BULGARIA: The local equity market remained in a consolidation mode last week, while volumes remained thin. Elsewhere, the external sovereign debt yield curve undertook some steepening in paper of short-term maturity, while that of longer closed largely unchanged on a weekly basis.

ROMANIA: RON markets were hit last week by the global risk-off sentiment initiated by the December ECB meeting monetary easing decision that fell short of market expectations and exacerbated by the recent decline in global commodity prices and equity markets. In FX markets, the leu extended its recent losses, while in the local rates markets, short term RON rates remained close to recent lows on the back of ample RON liquidity in the money market. T-bond yields moved higher in view of deteriorating risk sentiment over the last few sessions.

SERBIA: In FX markets, the Serbian dinar continued to depreciate against major currency peers last week.

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Latest world economic & market developments

GLOBAL MARKETS

Most Asian bourses edged lower on Monday following a global selloff amid investors' concerns about falling commodity prices and market caution ahead of this week's FOMC meeting. Oil prices continued their downfall after the International Energy Agency (IEA) highlighted that global oversupply could worsen in 2016. In China, the Shanghai Composite Index rose by 2.5% on better than expected Chinese economic data. In more detail, IP growth in China accelerated to a 5-month high of 6.2%YoY in November from 5.6%YoY in the prior month, surpassing expectations for a rise of 5.7%YoY. Additionally, retail sales growth accelerated to 11.2%YoY in November from 11.0%YoY previously, its strongest pace of growth in 2015. Elsewhere, major European equity indices were trading higher at the time of writing, helped by encouraging macro data over the weekend in China that showed signs of stabilization in the economy. In FX markets, China's yuan fell on Monday to a four-year low after the PBoC released a statement announcing that the CFETS (China Foreign Exchange Trade System) will start publishing a trade-weighted renminbi index. Separately, the US dollar strengthened against its major currency peers, with investors awaiting the Fed to raise its fed funds rate by 25bps for the first time since 2006 on Wednesday. In this context, the DXY index was advancing 0.3% higher at 97.850 in early European trade, while the EUR/USD edged 0.3% lower to 1.0958/59 at the time of writing, not far from a 2 1/2-month high of 1.1025 on Wednesday's close. Focus this week is on the forthcoming FOMC meeting on Wednesday. On the US data front, CPI, industrial production, housing starts, building permits for November due this week take centre stage, while regional manufacturing indices for December are also expected to lure market attention. In the euro area, the final estimate for November HICP and the preliminary estimate for December Markit PMI indices will probably be closely scrutinized by market participants.

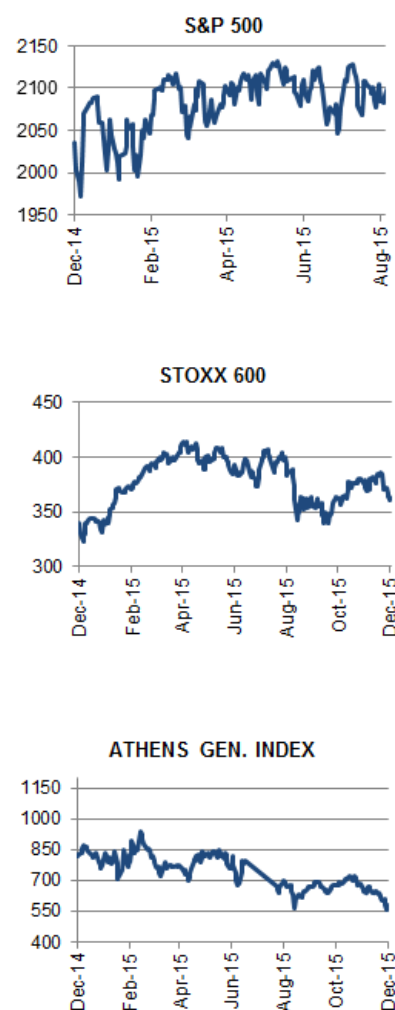
okosma@eurobank.gr

GREECE

The Greek government reached an agreement with official creditors on Friday, December 11th, on the implementation of the 13 actions-milestones, paving the way for the disbursement of the €1bn sub-tranche by Friday, December 18th. The said agreement is conditional on the positive vote (expected on Tuesday, December 15th) of the Greek Parliament on the multi-bill, which includes part of the 13 actions and the finalization of the still pending actions by Wednesday, December 16th. With regard to NPLs, and according to the multi-bill submitted to Parliament, the new regulatory framework, effective January 1st 2016, will allow for both the management and the repurchase of large corporate NPLs and housing loans, as long as the latter do not pertain to first residence. These types of NPLs reportedly amount to €56bn (€40bn corporate loans and €16bn housing loans). A separate agreement on other types of NPLs (corporate loans to SMEs and freelancers, first residence housing loans, consumer loans and loans with State Guarantees) is expected by February 15th 2015. The multi-bill also includes provisions for the unified wage grid for the public sector and the introduction of the clawback on hospitals and the downward revision of the prices of diagnostics from private providers to align the spending to clawback ceiling. The issue of the electricity transmission company (ADMIE) is not included in the multi-bill but a preliminary agreement has been achieved already. Provided that the multi-bill is voted by the Greek Parliament and that the remaining open actions are addressed too, the Euro Working Group is expected to convene on Wednesday, December 16th to assess progress.

andimitriadou@eurobank.gr

tstamatiou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

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

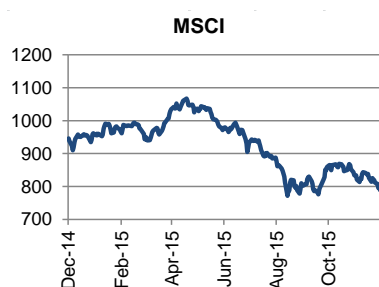
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 local equity market remained in a consolidation mode last week, while volumes remained thin. In more detail, the main SOFIX index advanced by almost 0.3% on a weekly basis on Friday to close at 436.58 points. Meanwhile, the external sovereign debt yield curve undertook some steepening in paper of short-term maturity, while that of longer maturities closed largely unchanged. Mostly driven by uncertainty in international markets, BGN-denominated government bonds underwent some position adjustment ahead of year-end. This year's last treasury auction is scheduled for December 14th, where the finance ministry plans to raise BGN 100mn in 5-year notes.

VBoteva@postbank.bg

ROMANIA

RON markets were hit last week by the global risk-off sentiment initiated by the December ECB meeting monetary easing decision that fell short of market expectations and exacerbated by the recent decline in global commodity prices and equity markets. In FX markets, the leu extended its recent losses, with the EUR/RON rising by around 1% last week having hit an intraday high of 4.5325 (a level last seen in January) and closing around 4.5200. In the local rates markets, short term RON rates remained close to the deposit facility of 0.25% on the back of ample RON liquidity in the money market, while longer term implied rates from swaps moved higher on Thursday and Friday, with the 3M reaching 1.00% compared to 0.75% the previous week and the 12M rate moving from 1.00% to 1.20%. RON-denominated government bonds kicked off last week on a positive footing, but deteriorating risks sentiment weighed on the last few sessions, especially on paper of mid to long maturities. In more detail, the 12M yield moved only marginally higher from 0.95% to 1.00% on the week, the 5Y rose from 2.70% to 2.75% and the 10Y advanced from 3.60% to 3.75%.

Bogdan.Radulescu@bancpost.ro

SERBIA

In FX markets, the Serbian dinar continued to depreciate against major currency peers last week, as has been the case since the beginning of the month. In more detail, the EUR/RSD rose by ca 0.7% on a weekly basis on Friday. Seasonal factors, such as strong EUR demand mostly from oil and gas companies, combined with foreign outflows in view of the recent deterioration in global risk sentiment, have been the main drivers behind the dinar's depreciation trend. The said move appears to have been exacerbated by market anticipation for a FED rate hike this week, the US Central Bank's first since 2006. In order to halt the dinar's ongoing depreciation momentum, the National Bank of Serbia sold €170mn last week in the FX markets. Looking ahead, the prospect of further RSD weakness towards 123.00/EUR appears likely ahead of year-end. That said, depreciation pressures on the dinar are likely to ease from January onwards. In the local rate markets, the yield of the 2-year T-bond remained unchanged at 4.95% during last week's auction, for the first time after 7 consecutive tenders where the said yield declined. This may indicate that a correction in the local government bond market is looming following this year's steep rally.

Zoran.Korac@eurobank.rs

December 14, 2015

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	2052.23	0.2%	-0.3%	EUR/USD	1.0997	0.5%	-9.1%	UST - 10yr	2.17	-6	0	GOLD	1067	-0.5%	-10.0%
Nikkei 225	19230.48	1.0%	10.2%	GBP/USD	1.5217	0.4%	-2.3%	Bund-10yr	0.54	-3	0	BRENT CRUDE	39	-2.0%	-32.1%
STOXX 600	356.65	-1.8%	4.1%	USD/JPY	121.07	0.4%	-1.1%	JGB - 10yr	0.32	1	-1	LMEX	2149	0.1%	-26.3%

CEESE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	307	-1	-684
1-week	3.22	-2	-679
1-month	3.49	-6	-656
3-month	3.85	-4	-600
6-month	4.03	-6	-576

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.61	-1	-548
5Y RSD	5.04	0	-514
7Y RSD	7.37	0	-471

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.07	0	-119
USD Nov-24	6.41	0	-18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

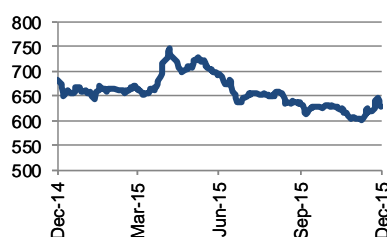
STOCKS

	Last	ΔD	ΔYTD
BELEX15	629.1	0.31%	-5.69%

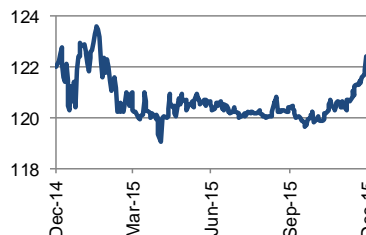
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.36	-0.02%	-0.83%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.58	2	1
1-month	0.73	-1	-18
3-month	1.03	0	-67
6-month	1.33	-1	-68
12-month	1.51	0	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	1	-85
5Y RON	1.97	2	-74
10Y RON	3.73	2	7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.07	1	-66
USD Aug-23	3.66	3	4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	-4	-9
10-year	174	-4	-13

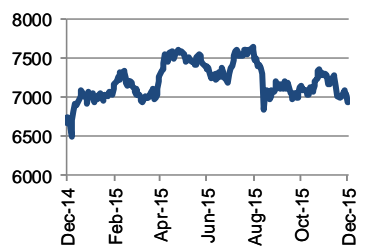
STOCKS

	Last	ΔD	ΔYTD
BET	6940.0	-1.24%	-2.02%

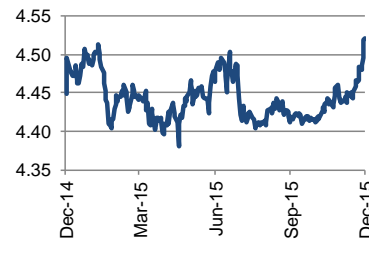
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5214	-0.12%	-0.84%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-3
3-month	0.31	0	-12
6-month	0.57	0	-23
12-month	1.06	0	-45

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.18	-3	-86
5Y BGN	0.36	-2	-108
10Y BGN	1.87	0	-88

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.18	0	-98
EUR Sep-24	2.39	-15	-48

CDS

	Last	ΔDbps	ΔYTD bps
5-year	169	-2	-22
10-year	220	-2	-21

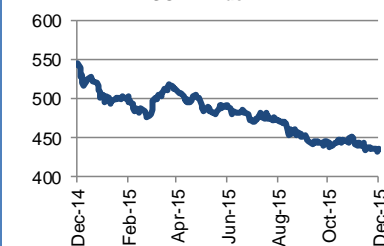
STOCKS

	Last	ΔD	ΔYTD
SOFIX	435.1	0.58%	-16.66%

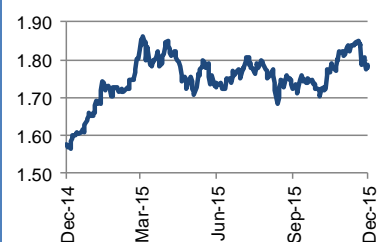
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7785	0.51%	-9.11%

SOFIX Index



USD/BGN



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

Data updated as of 16:40 EET of previous session

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

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@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

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