

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, January 15, 2016

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- January 13: Fed Beige Book
- January 14: Jobless claims (weekly)
- January 15
  - Empire State Index (Jan)
  - Retail sales (Dec)
  - IP (Dec)
  - UoM sentiment (Jan)

#### EUROZONE

- January 14: ECB MPC December 3 meeting minutes

#### GREECE

- January 11: Greek FinMin meets his Finn counterpart
- January 12: FinMin meets Eurogroup President
- January 13
  - Greek FinMin meets his German counterpart
  - CPI/HICP (Dec)

#### CYPRUS

- January 12: HICP (Dec)

#### SEE

#### BULGARIA

- January 11
  - Trade balance (Nov)
  - U/E rate (Dec)
- January 13: CPI (Dec)

#### ROMANIA

- January 11
  - Trade balance (Nov)
  - 3.5% 2022 T-bonds auction
- January 13
  - Net wages (Nov)
  - CPI (Dec)
  - IP (Nov)
  - CAD (Nov)
- January 14: 3.5% 2022 T-bonds auction
- January 15: GDP (Q3, f)

#### SERBIA

- January 12
  - HICP (Dec)
  - MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Amid lingering oversupply jitters and ongoing worries over the growth prospects of China, the Brent crude oil price was hovering around \$29.80/barrel in European trade, the lowest since mid-February 2004 having recorded losses of near 20% so far this year. Against this background, the majority of European equity markets were weaker in early trade on Friday while the JPY gained some ground favored by its safe-haven appeal.

**GREECE:** The state of play in the implementation of Greece's stabilization programme featured high in yesterday's Eurogroup. According to the formal statement, the institutions intent to commence official discussions with Greek authorities in the context of the review next week focusing on the following key issues: (i) social security pension reform; (ii) the FY-2016 budget; (iii) medium-term fiscal strategy; (iv) modernization of public administration; (v) financial sector reforms; and (vi) reforms in the electricity sector.

### SOUTH EASTERN EUROPE

**CYPRUS:** The Eurogroup convened yesterday to discuss the 8<sup>th</sup> and final review of Cyprus' economic adjustment programme. Eurogroup President Dijsselbloem praised the country for the high degree of ownership in the programme implementation.

**ROMANIA:** On the data front, the current account deficit doubled to €1.0bn in January-November 2015 compared to €440mn in the same period a year ago.

**CESEE MARKETS:** After Wednesday's short-lived respite, **emerging stock markets** resumed this week's downtrend to close in the red on Thursday, as investor sentiment deteriorated anew on the back of China-related worries and a further decline in oil prices which fell to new troughs hitting related shares. Along similar lines, the majority of **regional currencies** broadly recoiled and **government bonds** lost ground on Thursday.

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## Latest world economic & market developments

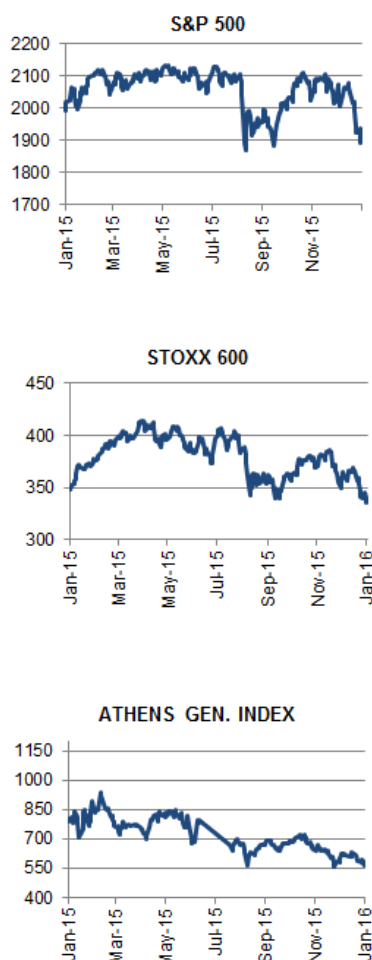
### GLOBAL MARKETS

Market sentiment towards equity markets remained gloomy on Friday as persisting downward pressure on oil prices continued to play a key role. Amid lingering oversupply jitters and ongoing worries over the growth prospects of China, the Brent crude oil price was hovering around \$29.80/barrel in European trade, the lowest since mid-February 2004 having recorded losses of near 20% so far this year. Against this background, the majority of European equity markets were weaker in early trade on Friday while the JPY gained some ground favored by its safe-haven appeal. Ahead of a string of key data from China next week, focus today is on US retail sales and IP for December which is expected to decline for the fourth consecutive month mainly due to mild weather conditions. US January Empire state survey and University of Michigan consumer sentiment also lure market attention today following recent speeches from a number of FOMC officials suggesting that the pace of Fed interest rate increases ahead will likely be slower than previously expected due to low oil prices and lingering concerns about the outlook of the Chinese economy.

### GREECE

The state of play in the implementation of Greece's stabilization programme featured high in yesterday's Eurogroup. Speaking in the press conference that followed, President Jeroen Dijsselbloem called on the Greek authorities to cooperate constructively with the institutions exchanging more detailed information on a number of open issues underlying the 1st review so as to have it completed "in a very short period". According to the formal Eurogroup statement, the institutions intend to commence official discussions with Greek authorities in the context of the review next week focusing on the following key issues: (i) social security pension reform; (ii) the FY-2016 budget; (iii) medium-term fiscal strategy; (iv) modernization of public administration; (v) financial sector reforms; and (vi) reforms in the electricity sector. The Eurogroup President also revealed that Greece's Minister of Finance Euclid Tsakalotos confirmed that the Greek side accepts that the IMF has to take part in its new bailout programme. Furthermore, he reiterated that the key preconditions the Fund has set for its involvement include the overhaul of the social security pension system and provision by EU creditors of further debt relief so as to strengthen sustainability of Greek public debt. On the issue, IMF Managing Director Christine Lagarde was quoted saying in a German newspaper today that it may take until Q2 2016 for the Fund to decide on whether to participate in Greece's new stabilization programme.

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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

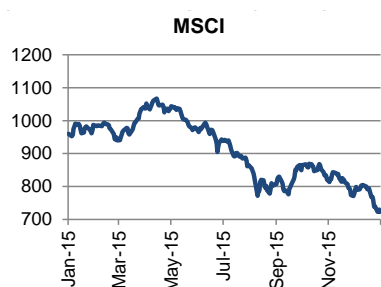
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CYPRUS

The Eurogroup convened yesterday to discuss the 8<sup>th</sup> and final review of Cyprus' economic adjustment programme. Eurogroup President Dijsselbloem praised the country for the high degree of ownership in the programme implementation. Although it was pointed out that Cyprus had made significant progress in implementing the programme, it is now expected to fulfil two prior actions, so as to formally finalize the review. The pending review has focused primarily on the implementation of the privatization program with respect to two state-owned public utilities widely known as semi government organizations: the Telecomm Utility (CYTA) and the Electricity Authority (EAC). Thus, the prior actions facilitate the transformation of CYTA in to a private company and the separation of activities of the EAC power company in line with the EU energy market directive. The finalization of the review will pave the way for the final ESM loan disbursement of about €300mn. Cyprus has already made use of a combined €7.2bn out of the total €10bn available in the programme (€6.3bn by ESM and €882mn by IMF). While Cyprus is set to graduate successfully from the program in March 2016, authorities will have to deal in the medium term with the high stock of NPLs, credit scarcity and elevated unemployment, while ensuring high primary surpluses ahead.

### ROMANIA

On the data front, the current account deficit more than doubled to €1.0bn in January-November 2015 compared to €440mn in the same period a year ago. As a percentage of GDP, it widened to 0.6% over the first eleven months of the year from 0.3% in 11M-2014, yet very far from the pre-crisis peak of 13.4% in 2007. Increases in the trade deficit and the primary income gap were the main culprits behind the shortfall's deterioration, with the former's widening indicating that macroeconomic imbalances could reemerge as a result of the unwarranted fiscal stimulus ahead of the parliamentary elections in late 2016. So far, the robust performance in services and current transfers as a result of the improved EU funds absorption maintains the current account deficit at relatively low levels. Net FDI inflows rose by 17.2% YoY to €2.9bn, fully covering the current account deficit.

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### CESEE MARKETS

After Wednesday's short-lived respite, **emerging stock markets** resumed this week's downtrend to close in the red on Thursday, as investor sentiment deteriorated anew on the back of China-related worries and a further decline in oil prices which fell to new troughs hitting related shares. Against this backdrop, the MSCI Emerging Markets index ended 0.9% lower yesterday at a new 6 ½-closing trough of 723.15 points. With the exception of Ukraine and Bulgaria, bourses in the CESEE region fell across the board on Thursday. ECB officials' reported comments that indicated skepticism among committee members about the need for further monetary policy action any time soon also had a negative impact. Along similar lines, the majority of **regional currencies** broadly recoiled and **government bonds** lost ground on Thursday. In FX markets, the Polish zloty was amongst the most notable underperformers sliding to a new 1-year low near 4.3935 vs. the EUR intraday with the currency's losses exacerbated ahead of sovereign credit rating reviews by S&P and Fitch due on Friday. Worries have been mounting of late that the S&P may cut its positive outlook on Poland amid deteriorating economic growth prospects due to the recently elected government's populist policies. In the **local rates markets**, Romania's FinMin sold at an auction on Thursday the planned RON 600mn (~€132.4mn) of 2.5% April 2019 T-bonds at an average accepted of 1.72%, 18bps lower compared to that achieved at a prior tender of the same paper in December. The tender's bid to cover ratio came in at 1.9.

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## 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	1921.84	1.7%	-6.0%	EUR/USD	1.0905	0.4%	0.5%	UST - 10yr	2.06	-3	-21	GOLD	####	0.5%	2.1%
Nikkei 225	17147.11	-0.5%	-9.9%	GBP/USD	1.4358	-0.4%	-2.6%	Bund-10yr	0.55	-2	-8	BRENT CRUDE	30	-3.1%	-19.8%
STOXX 600	335.29	-1.2%	-8.3%	USD/JPY	117.49	0.5%	2.2%	JGB - 10yr	0.22	-2	-4	LMEX	####	0.9%	-5.2%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	291	0	-12
1-week	3.01	-1	-18
1-month	3.29	-2	-22
3-month	3.53	-1	-30
6-month	3.75	0	-28

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.60	-2	-6
5Y RSD	5.11	0	-2
7Y RSD	7.70	0	0

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.19	0	2
USD Nov-24	6.42	0	0

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	279	0	4
10-year	322	-1	-17

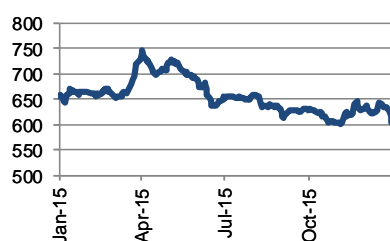
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	601.8	-0.58%	-6.57%

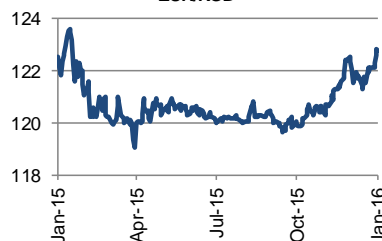
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.77	0.05%	-0.96%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	1	-14
1-month	0.6	1	-9
3-month	0.96	4	-6
6-month	1.3	0	-4
12-month	1.49	2	-3

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.75	0	-18
5Y RON	2.59	0	-21
10Y RON	3.55	1	-23

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.54	3	-2
USD Jan-24	3.75	-1	-3

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	127	-1	-6
10-year	165	0	-7

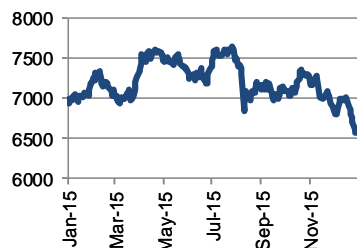
## STOCKS

	Last	ΔD	ΔYTD
BET	6468.8	0.84%	-7.65%

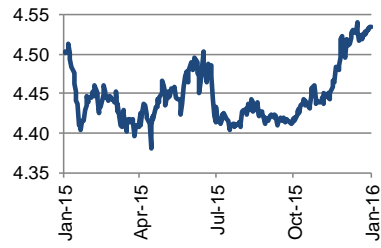
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5348	0.00%	-0.46%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	-0.03	-1	-19
3-month	0.10	0	-16
6-month	0.33	0	-20
12-month	0.80	-1	-18

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.02	-5	-8
5Y BGN	0.25	0	-12
10Y BGN	1.80	0	-5

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	5	-4
EUR Sep-24	2.38	28	-4

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	171	2	0
10-year	216	2	-1

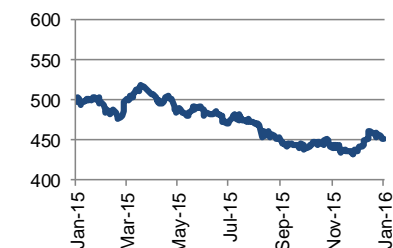
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	450.6	-0.19%	-2.24%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7936	0.35%	0.37%

SOFIX Index



USD/BGN



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

Data updated as of 11:35 EET

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