

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 19, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- January 22-23: World Economic Forum Annual Meeting in Davos

US

- January 19: NAHB Index (Jan)
- January 20
 - CPI (Dec)
 - Housing starts (Dec)
 - Housing permits (Dec)
- January 21
 - Philly Fed (Jan)
 - Jobless claims (weekly)
- January 22: Existing home sales (Dec)

EUROZONE

- January 20: DE: ZEW (Jan)
- January 21
 - HICP (f, Dec)
 - ECB meeting & press conference
- January 21: PMI manufacturing/ Services (Jan)

GREECE

- January 19: Industry - Turnover Index (Nov)
- January 20: Balance of Payments (Nov)
- January 22
 - Quarterly non-financial sector accounts (Q3 2015)
 - S&P reassess Greek sovereign debt rating

SEE

BULGARIA

- January 18: CAD (Nov)

ROMANIA

- January 21: 5.8% 2027 T-bonds auction
- January 22: Fitch sovereign debt rating review

SERBIA

- January 20: CAD (Nov)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the improved tone in Asian bourses, the majority of European equity markets were firmer in early trade on Tuesday amid expectations for further stimulus from the Chinese authorities to support the world's second-largest economy. In spite of today's improved tone, market sentiment towards equity markets is likely to remain fragile in the coming sessions as concerns about the growth prospects of the Chinese economy prevail. In addition, uncertainty over the pace of the Fed's monetary policy tightening ahead prevails.

GREECE: Speaking to reporters yesterday, Greece's Minister of Finance Euclid Tsakalotos said that the government is willing to discuss with the IMF the planned overhaul of the social security system as long as the latter is willing to conclude the relevant discussions "in a timely manner". According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in December for the sixth month in a row coming in at €107.51bn, €5.9bn lower compared to November.

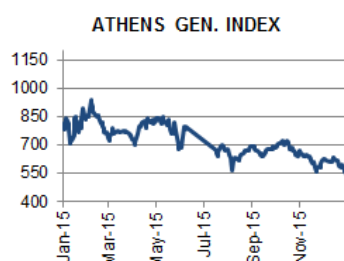
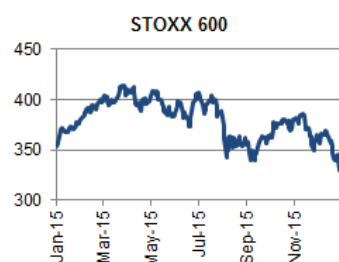
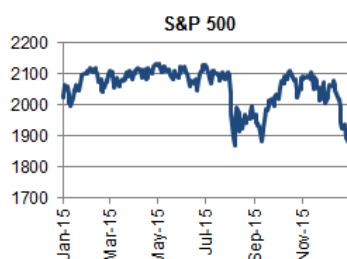
SOUTH EASTERN EUROPE

BULGARIA: The current account deficit widened to €289.7mn in November from €68mn in October and €85.6mn in the same month a year earlier.

CESEE MARKETS: Trailing the up-move in Asian stock markets, **emerging bourses** recouped part of their recent losses on Tuesday, after slightly weaker than consensus economic growth data from China stirred hopes that domestic authorities may render further stimulus to prop up the slowing economy. In a similar vein, **CESEE currencies** also firmed earlier today.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the improved tone in Asian bourses, the majority of European equity markets were firmer in early trade on Tuesday amid expectations for further stimulus from the Chinese authorities to support the world's second-largest economy following today's slightly weaker-than-expected activity data. Among others, Q4 GDP grew by 6.8%, the weakest pace of expansion since Q1 2009 and slightly lower than 6.9% expected. For the full year 2015, China's real GDP grew by 6.9% from 7.3% in 2014, roughly in line with the government's target of 7.0% but the slowest pace in the last 25 years. In spite of today's improved tone, market sentiment towards equity markets is likely to remain fragile in the coming sessions as concerns about the growth prospects of the Chinese economy prevail. In addition, uncertainty over the pace of the Fed's monetary policy tightening ahead prevails. In FX markets, favored by the latest bout of risk appetite, the US dollar firmed with the DXY index hovering around 99.190 at the time of writing, 0.2% higher compared to the settlement in the prior session. On the data front, focus today is on UK CPI and a speech by BoE Governor Mark Carney for clues on the timing the Central Bank will decide to embark on a rate tightening cycle.

GREECE

Speaking to reporters yesterday, Greece's Minister of Finance Euclid Tsakalotos said that the government is willing to discuss with the IMF the planned overhaul of the social security system as long as the Fund is willing to conclude the relevant discussions "in a timely manner". The minister added that the 1st programme review will begin once official creditors receive the additional fiscal data they requested during last week's Eurogroup on the social security pension system reform and on the fiscal measures that will be implemented in the period between 2016 and 2018. In addition, he underlined that "time for us is precious" and that "it is in everybody's interest to find a solution and not have a Greek crisis". The above remarks followed the release of a number of press reports over the last few sessions suggesting that official creditors have raised certain objections on the Greek government's proposed social security pension reform plan. As per the same sources, the institutions insist, inter alia, on: (i) introduction of income eligibility criteria for the provision of the national state guaranteed pension to pensioners with no less than 20 years of insurance, more than the Greek government's proposal for 15 years; (ii) implementation of relatively lower replacement rates; and (iii) gradual abolishment of the pension lump sum payments. / According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in December for the sixth month in a row coming in at €107.51bn, €5.9bn lower compared to November following a multi-month peak of €126.6bn recorded in June 2015.

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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

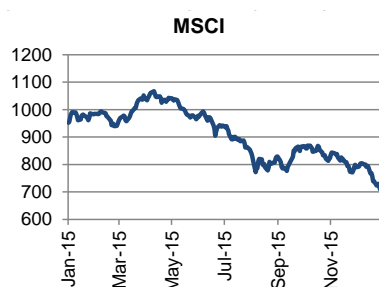
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The current account deficit widened to €289.7mn in November from €68mn in October and €85.6mn in the same month a year earlier. As a result, the current account surplus dropped to €789.5mn, or 1.8% of GDP in January-November 2015, compared to €849mn or 2.0% of GDP in January – November 2014. The breakdown of the data showed that, the current account dynamics were once driven by the further compression of the trade deficit (from 5.5% to 3.7% of GDP) in the same period. Exports expanded by 6.1%YoY in the first eleven months of the year helped by the ongoing recovery in the Euroarea, Bulgaria's main trade partner. On the other hand, imports edged up by only 2.1%YoY underpinned by lower energy imports mirroring lower world energy prices. Among other components, the primary income deficit widened to €1.6bn in January-November 2015, or 3.5% of GDP vs. a 2.0% deficit in the same period a year ago as a result of an increase in the profits' repatriation of foreign companies operating in Bulgaria.

In terms of financing, the capital and financial account recorded a hefty surplus which reflects improved EU funds absorption ahead of the closing of the programming period 2007-2013, increased FDI inflows and a decline in the account of other investment liabilities. The capital account surplus widened to €1.2bn, equivalent of 2.7% of GDP, from €809.6mn or 1.9% of GDP in January – October 2014. Net FDI inflows increased by 83%YoY, reaching €1.4bn in 11M2015 compared to €786mn in the period a year ago which reflects significantly less FDI investment abroad but also a 20% increase in FDI inflows to Bulgaria.

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CESEE MARKETS

Trailing the up-move in Asian stock markets, **emerging bourses** recouped part of their recent losses on Tuesday, after slightly weaker than consensus economic growth data from China stirred hopes that domestic authorities may render further stimulus to prop up the slowing economy. Against this backdrop, the MSCI Emerging Markets index rose by 1.7% at the time of writing, recovering ground from a 6 ½-year intraday trough hit in Asian trade. In the CESEE region, Romania's BETI registered a concomitant 2.2% advance, while main indices in Turkey, Poland and Hungary posted rises to the tune of 0.9%-1.4%. Bulgaria's SOFIX lagged the rally to stand in a marginally positive territory in European trade and Ukraine's PFTS bucked the positive trend, shedding 0.3% at the same time.

In a similar vein, **CESEE currencies** also firmed earlier today. The Polish zloty led the gains in the region for the second session running as its recent steep downtrend proved to have been overdone. The currency has lost more than 4% of its value against the euro since the beginning of the year weighed down by concerns over the government's policies, such as planned increases in spending. Recently passed legislation in the ruling-PiS controlled parliament has sparked fears over an increase in the government's power over the Constitutional Court and media and led to an unrepresented inquiry by the European Commission over the country's state of democracy. Concerns over the new government's policies on the independence of Poland's key institutions were amongst the factors cited by S&P behind its unexpected decision late last week to cut Poland's sovereign credit rating by 1-notch to BBB+ with negative outlook. Along these lines, the EUR/PLN pulled back near 4.4400 in European trade today from a 4-year peak at 4.4930 hit late last week after the S&P downgrade announcement.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
S&P 500	1880.33	-2.2%	-8.0%	EUR/USD	1.0885	-0.3%	0.3%	(yields)	2.03	0	-23	GOLD	1089	0.0%	2.6%
Nikkei 225	16955.57	-1.1%	-10.9%	GBP/USD	1.4293	0.3%	-3.0%	UST - 10yr	0.54	0	-9	BRENT CRUDE	29	0.0%	-22.3%
STOXX 600	329.29	-0.2%	-10.0%	USD/JPY	117.33	-0.3%	2.3%	Bund-10yr	0.21	-1	-5	LMEX	2055	-1.6%	-6.7%
								JGB - 10yr							

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	292	2	-11
1-week	3.03	1	-16
1-month	3.32	2	-19
3-month	3.53	1	-30
6-month	3.75	1	-28

RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	3.62	-1	-5
5Y RSD	5.11	0	-1
7Y RSD	7.70	0	0

RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	3.21	1	5
USD Nov-24	6.42	1	1

CDS

	Last	ΔD	ΔYTD
5-year	272	-7	-3
10-year	318	-4	-22

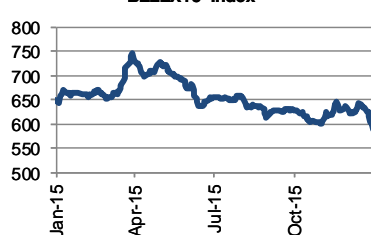
STOCKS

	Last	ΔD	ΔYTD
BELEX15	589.9	-1.91%	-8.42%

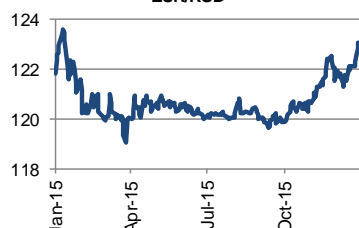
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.05	-0.07%	-1.19%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.37	-2	-16
1-month	0.61	1	-8
3-month	0.95	-1	-7
6-month	1.26	-4	-8
12-month	1.46	-3	-6

RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.79	3	-14
5Y RON	2.66	5	-14
10Y RON	3.63	4	-15

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	2.56	1	-1
USD Jan-24	3.76	0	-3

CDS

	Last	ΔD	ΔYTD
5-year	133	6	0
10-year	170	6	-1

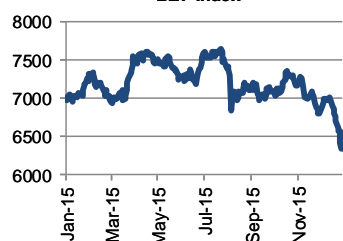
STOCKS

	Last	ΔD	ΔYTD
BET	6048.3	-4.61%	-13.65%

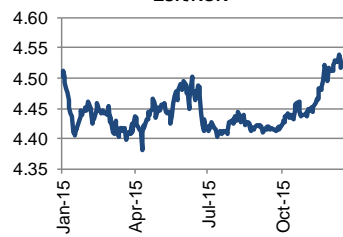
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5351	0.15%	-0.47%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	-0.09	0	-10
1-month	-0.01	2	-16
3-month	0.10	0	-16
6-month	0.33	0	-20
12-month	0.80	0	-17

BG Local Bonds

(yields)	Last	ΔD	ΔYTD
3Y BGN	0.12	12	6
5Y BGN	0.24	-2	-14
10Y BGN	1.82	0	-3

BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	0.06	-5	-1
EUR Sep-24	2.42	-21	0

CDS

	Last	ΔD	ΔYTD
5-year	178	7	7
10-year	222	7	6

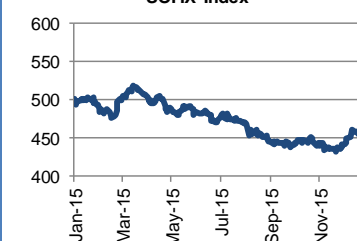
STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.1	-0.92%	-3.21%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7967	-0.31%	0.20%

SOFIX Index



USD/BGN



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

Data updated as of 17:50 EET of previous session

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