

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 20, 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: The improved tone witnessed yesterday proved short-lived with the majority of global equity markets moving lower in early trade on Wednesday weighed down by a renewed drop in oil prices. Against this background, global sovereign bonds retained a firm tone while the USD moved lower with the DXY retreating from yesterday's multi-session peak.

GREECE: Greece's Prime Minister Alexis Tsipras travels today to Davos where he is scheduled to have a busy programme of meetings with a number of senior officials on the sidelines of the four-day World Economic Forum (21-24 January). Meanwhile, technical teams representing Greece's official creditors arrived in Athens earlier this week to prepare the ground for upcoming discussions between the EC/ECB/IMF/ESM mission heads and domestic authorities in the context of the 1st programme review. According to some reports, the mission heads are not expected before January 29th.

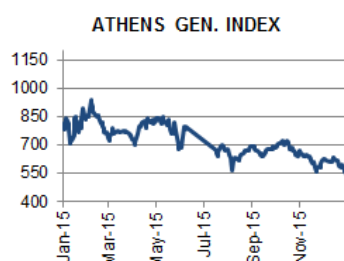
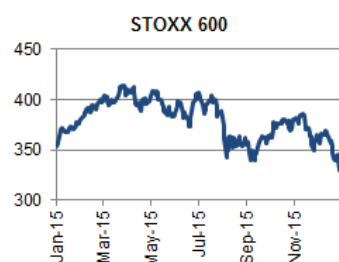
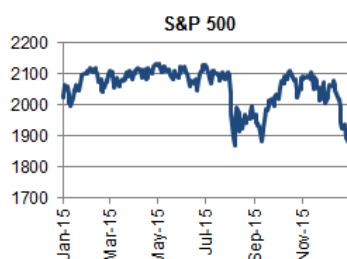
SOUTH EASTERN EUROPE

BULGARIA: BNB governor Dimitar Radev said in a business conference in Sofia yesterday that the asset quality review (AQR) of the domestic banking sector will begin on February 15th.

CESEE MARKETS: Following yesterday's short-lived respite, **emerging bourses** resumed their downtrend on Wednesday, weighed down by global growth concerns and further weakness in oil prices. In a similar vein, most **CESEE currencies** and government bonds broadly retreated earlier today.

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.



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The improved tone witnessed yesterday proved short-lived with the majority of global equity markets moving lower in early trade on Wednesday weighed down by a renewed drop in oil prices. Following the release of the "Oil Market Report" by the International Energy Agency suggesting that the oil market may "drown in oversupply" in 2016 and weaker prices may lie ahead, the Brent crude oil price was hovering around \$27.00/barrel in European trade, the lowest since early July 2003 and c. 3% lower compared to the settlement in the prior session, having recorded losses of near 25% so far this year. The IMF's World Economic Outlook Update where the Fund revised lower its global growth estimate by 0.2ppts for both 2016 and 2017 to 3.4% and 3.6% respectively from 3.1% in 2015, may also had an impact on market sentiment towards risky assets. Against this background, global sovereign bonds retained a firm tone while the USD moved lower with the DXY index trading close to 98.706 at the time of writing, having retreated from a multi-session peak of 99.310 marked at some point on Tuesday. Looking at the day ahead, focus is on US inflation data for December which are expected to add to market concerns over subdued inflation pressures for longer than currently expected.

GREECE

Greece's Prime Minister Alexis Tsipras travels today to Davos where he is scheduled to have a busy programme of meetings with a number of senior officials on the sidelines of the four-day World Economic Forum (21-24 January). In more detail, Greece's Premier is scheduled to meet IMF Managing Director Christine Lagarde to discuss inter alia, the Greek government's plan of social security pension reform and Greece's public debt sustainability. He will also hold talks with ECB President Mario Draghi, Vice Chancellor of Germany Sigmar Gabriel, European Commissioner for Economic and Financial Affairs Pierre Moscovici and US Treasury Secretary Jack Lew. Greece's Premier, German Finance Minister Wolfgang Schäuble along with the Prime Minister of the Netherlands Mark Rutte and France Manuel Valls while also participate in a roundtable to discuss mainly the refugee crisis and the austerity policy. Meanwhile, technical teams representing Greece's official creditors arrived in Athens earlier this week to prepare the ground for upcoming discussions between the EC/ECB/IMF/ESM mission heads and domestic authorities in the context of the 1st programme review. According to some reports, the mission heads are not expected before January 29th, on the assumption that they will have received by then the additional fiscal data they requested during the January 14th Eurogroup on the social security pension system reform and the fiscal measures that will be implemented in the period between 2016 and 2018. Meanwhile, amid market concerns that the completion of the review may take longer than expected, Greek government bonds remained under pressure. The 10-yr GGB yield was hovering around 9.45% at the time of writing in European trade, 1.8% higher compared to the settlement in the prior session and levels close to 8.72% and 8.23% recorded respectively a week earlier and the first trading session of this year.

ppetropoulou@eurobank.gr

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

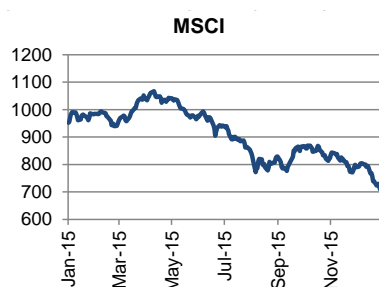
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BNB Governor Dimitar Radev said in a business conference in Sofia yesterday that the asset quality review (AQR) of the domestic banking sector will begin on February 15th. The AQR will culminate in a bottom up stress test, the result of which will be made public by the end of August. In addition, he expressed his optimism that the AQR outcome will be positive and the stress test results will confirm the stability of the banking system. However, he added that in the case that a bank fails the stress test, which does not seem likely at the moment, and after all effort has been made that the bank resolves the issue on its own, the buffer which the country has set up for that purpose can be tapped. After the results of the stress tests have been made public, the IMF and the World Bank will conduct an assessment of the banking sector again. The banking sector turmoil following the collapse of the Corporate Commercial Bank in late June 2014, has raised attention on the issues of banking supervision effectiveness and corporate governance. Although the collateral damage to the economy was minimized and the noise was short-lived, there has been a lot of media criticism on BNB which stirred the public debate on banking sector supervision reform.

igkionis@eurobank.gr

CESEE MARKETS

Following yesterday's short-lived respite, **emerging bourses** resumed their downtrend on Wednesday, weighed down by global growth concerns and further weakness in oil prices. Against this backdrop, the MSCI Emerging Markets index plummeted by 2.8% at the time of writing compared to the prior session's settlement to a new 6 ½ year low near 694 points. The index marked its fourth session in the red out of the last five in a move that brings its year to date losses in excess of 12.0%. According to the IMF's World Economic Outlook Update, released on Tuesday, global economic activity is penciled in at 3.4% this year, envisioning a more gradual pace of increase from 3.6% projected in October, primarily due to emerging and developing economies. Despite broad-based declines also witnessed in CESEE bourses, major regional indices fared better than their global EM peers with Romania's BETI posting the highest daily drop (-2.0%) in the region, while Ukraine's PFST and Serbia's BELEX15 stood in a marginally negative territory at the same time.

In a similar vein, most **CESEE currencies** and government bonds broadly retreated earlier today. In the FX markets, the Turkish lira led the down-move, with the USD/TRY hitting a new 4-month high of 3.0620 before pulling back towards 3.0510 later in the session to stand approximately 0.5% higher on a daily basis at the time of writing. Yesterday's MPC meeting decision to keep interest rates unchanged was largely priced in by financial markets, with consensus being for overnight lending and borrowing rates to remain at 10.75% and 7.25%, respectively, and the main benchmark 1-week repo rate at 7.50%. Nonetheless, the Central Bank of Turkey is likely to be among the exceptions in the CESEE region to not follow an accommodative monetary policy and hike interest rates in the not-too-distant future as inflation (CPI at 8.81%YoY in December) remains stubbornly well above the CBT's medium-term target of 5.00% despite the significant retreat in global oil prices.

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	1881.33	0.1%	-8.0%	EUR/USD	1.0935	0.2%	0.7%	UST - 10yr	1.97	-8	-30	GOLD	1094	0.7%	3.1%
Nikkei 225	16416.19	-3.7%	-13.8%	GBP/USD	1.4173	0.1%	-3.8%	Bund-10yr	0.49	-6	-14	BRENT CRUDE	28	-2.3%	-24.6%
STOXX 600	323.01	-3.0%	-11.7%	USD/JPY	116.56	0.9%	3.0%	JGB - 10yr	0.22	-1	-5	LMEX	2085	0.5%	-5.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	291	-1	-12
1-week	3.01	-2	-18
1-month	3.24	-8	-27
3-month	3.45	-8	-38
6-month	3.65	-10	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.51	-2	-6
5Y RSD	5.11	0	-2
7Y RSD	7.79	0	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.20	1	4
USD Nov-24	6.42	0	1

CDS

	Last	ΔDbps	ΔYTD bps
5-year	271	0	-3
10-year	318	-1	-22

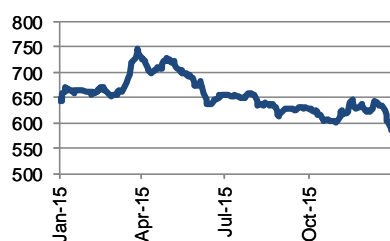
STOCKS

	Last	ΔD	ΔYTD
BELEX15	579.8	-1.10%	-9.98%

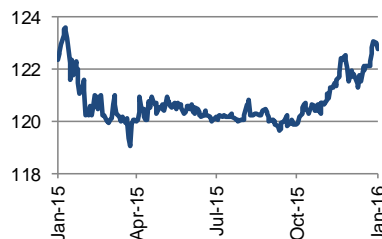
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.80	0.09%	-0.99%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.36	-1	-17
1-month	0.59	-2	-10
3-month	0.92	-2	-10
6-month	1.26	-2	-8
12-month	1.44	-1	-8

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.74	-2	-19
5Y RON	2.57	-6	-23
10Y RON	3.54	-4	-24

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.54	0	-2
USD Jan-24	3.74	-1	-4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	-5	-3
10-year	167	-6	-4

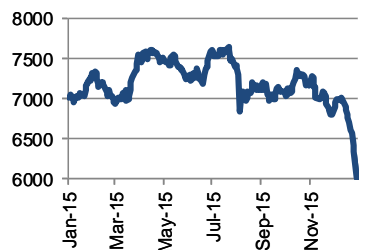
STOCKS

	Last	ΔD	ΔYTD
BET	6051.0	-2.02%	-13.61%

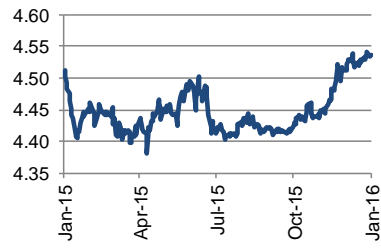
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5353	-0.02%	-0.47%

BET Index



EUR/RON



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.10	3	3
5Y BGN	0.23	-1	-15
10Y BGN	1.83	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.11	0	4
EUR Sep-24	2.44	-26	2

CDS

	Last	ΔDbps	ΔYTD bps
5-year	175	-6	3
10-year	219	-6	3

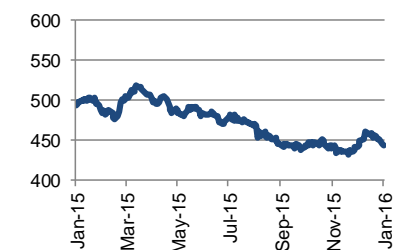
STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.3	-0.78%	-4.03%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7887	0.25%	0.65%

SOFIX Index



USD/BGN



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

Data updated as of 12:25 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>

