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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Monday, January 25, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- January 26: CB Consumer Confidence (Jan)
- January 27
  - New home sales (Dec)
  - FOMC meeting
- January 28
  - Jobless claims (weekly)
  - Durable goods orders (Dec)
  - Pending home sales (Dec)
- January 29
  - GDP (Q4, 1st estimate)
  - Chicago PMI (Jan)
  - UoM Consumer Sentiment (Feb)

EUROZONE

- January 25: DE: IFO (Jan)
- January 27: DE: Gfk consumer confidence (Jan)
- January 28: ESI (Jan)
- January 29: HICP (Jan, flash)

GREECE

- January 29
  - PPI (Dec)
  - Turnover Index in Retail Trade (Nov)

SEE

BULGARIA

- January 25: BGN 200mn T-bonds auction
- January 27: Gross external debt (Nov)
- January 29: Budget (Dec)

ROMANIA

- January 25: 3.25% 2021 T-bonds auction

SERBIA

- January 25: Real gross wages (Dec)
- January 28: 4% 2018 T-bonds auction
- January 29
  - IP (Dec)
  - Trade balance (Dec)
  - Retail sales (Dec)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets kicked off the week on a firmer footing mainly supported by higher oil prices as severe winter weather in the US boosted demand for heating oil. The upcoming two-day FOMC policy meeting, which concludes on Thursday, January 27th takes centre stage this week.

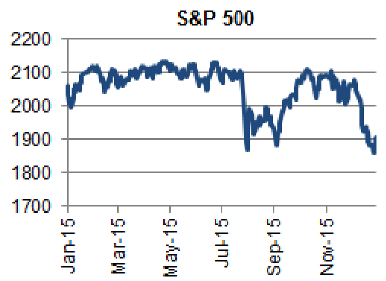
GREECE: S&P raised Greece's sovereign credit rating by one notch to B- from CCC+ previously with a stable outlook. According to the official statement, the rationale behind its decision was that the Greek government is broadly complying with the terms of the financial support programme and S&P expects a compromise on the planned overhaul of the pension system to be reached between domestic authorities and official creditors by the end of March. Meanwhile, the heads of the institutions' mission are reportedly expected to arrive in Athens by the end of this week to commence discussions with Greek authorities in the context of the 1st programme review with an intention to have it concluded by the end of February.

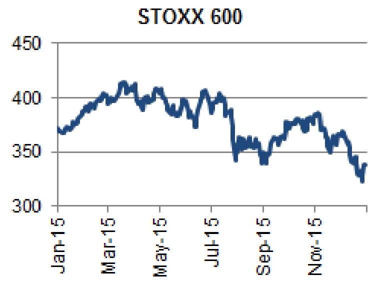
SOUTH EASTERN EUROPE

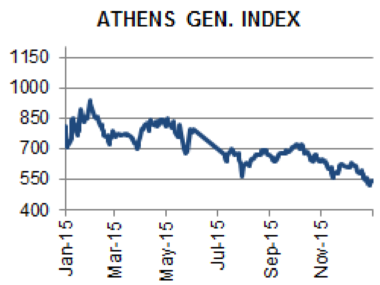
BULGARIA: Local equities failed to track the late-week recovery in global markets with the main SOFIX index ending 1.3% lower on a weekly basis at 444.46 points on Friday. Meanwhile, BGN-denominated sovereign bonds closed little changed last week ahead today's T-bond auction.

ROMANIA: Domestic financial markets kicked off last week on the back foot amid concerns about a potential spillover from Poland's credit rating downgrade by S&P a few days earlier.

SERBIA: The EUR/RSD hovered within a range of 122.50-123.00 last week as two Central Bank interventions in the FX markets for an amount of EUR 50mn somewhat offset depreciation pressures on the dinar instigated by news over imminent early general elections.







Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The majority of global equity markets kicked off the week on a firmer footing mainly supported by higher oil prices as severe winter weather in the US boosted demand for heating oil. Against this background, the US dollar moved higher with the DXY index hovering around 99.365 at the time of writing, approaching a near two-month high of 99.799 marked a couple of sessions earlier. The upcoming two-day FOMC policy meeting, which concludes on Thursday, January 27th takes centre stage this week. Market consensus is for unchanged interest rates but the main issue is whether or not the Fed will outline in the accompanying statement downside risks to the growth and inflation outlook following a string of adverse developments that took place since the December policy meeting where the Central Bank lifted interest rates for the first time in near ten years (e.g., lower oil prices, heightened concerns about growth prospects of China, hefty losses in global equity markets). On the data front, focus is on the flash estimate of the euro area's January CPI and the advance estimate of US Q4 GDP, both due on Friday.

GREECE

S&P raised Greece's sovereign credit rating by one notch to B- from CCC+ previously with a stable outlook. According to the official statement, the rationale behind its decision was that the Greek government is broadly complying with the terms of the financial support programme and S&P expects a compromise on the planned overhaul of the pension system to be reached between domestic authorities and official creditors by the end of March, a development that would lead to the successful conclusion of the 1st review and would raise the possibility of additional relief on general government debt. In addition, the ratings agency noted that despite multiple shocks last year, the Greek economy has proved more resilient than previously expected contracting–according to its own projection- by 0.3%YoY. Addressing an event on the first year anniversary of SYRIZA/ANEL coalition governance on Sunday, Greece's Prime Minister Alexis Tsipras vowed a pension reform overhaul stressing that "the dilemma is about reforming the system or letting it collapse". Yet, he promised to "exhaust every avenue of dialogue and flexibility to help those affected most - farmers, self-employed- noting that the upcoming changes could be "fairer". Meanwhile, the heads of the institutions' mission are reportedly expected to arrive in Athens by the end of this week to commence discussions with domestic authorities in the context of the 1st programme review with an intention to have it concluded by the end of February.

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Latest world economic & market developments in the CESEE region

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

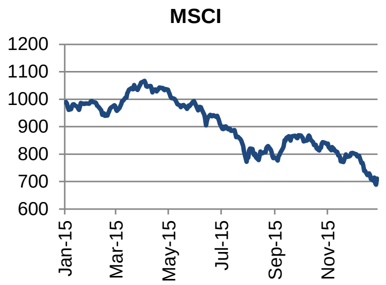
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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

BULGARIA

Local equities failed to track the late-week recovery in global markets with the main SOFIX index ending 1.3% lower on a weekly basis at 444.46 points on Friday, standing 3.6% weaker year-to-date. Meanwhile, BGN-denominated sovereign bonds closed little changed last week ahead of a T-bond auction for BGN 200mn scheduled for today. As usual, investor participation in the primary bond market is strong in the first weeks of the year, but still the announced amount is uncommonly high for that maturity to be placed in one auction. Eurobonds, on the other hand, saw some revival on Friday as global investor sentiment somewhat improved.

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ROMANIA

Domestic financial markets kicked off last week on the back foot amid concerns about a potential spillover effects from Poland's credit rating downgrade by S&P earlier this year. However, the impact was confined to Poland having only a temporary effect in other regional markets such as Romania or Hungary. Against this backdrop, the EUR/RON pulled back through the week from the 4.5480 high touched on the previous Friday's closing as sentiment improved, ending the week almost 0.50% lower around 4.5270. Separately, short term money market rates remained close to the deposit facility amid ample RON liquidity, with the 1M and 3M rates closing the week largely unchanged at 0.50% and 0.70% respectively. RON government bonds appeared to bear the brunt of the Polish downgrade, with benchmark yields opening 10bps higher on average on Monday compared to their levels at the prior session's settlement. However, as initial fears resided yields recovered around 7bps by the end of the day. Buying interest continued through the week, especially in the long end, with the yield curve undertaking some bullish flattening. On a weekly basis, the 12M bond yield ended largely unchanged, while the 3Y decreased 6bps to 1.70% and the 10Y yield dropped 10bps to 3.50%.

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SERBIA

The EUR/RSD ended relatively flat last week, remaining trapped within a range of 122.50-123.00 as two Central Bank interventions in the FX markets for an amount of EUR 50mn somewhat offset depreciation pressures on the dinar instigated by news over imminent early general elections. Although the latter bodes ill for the dinar, seasonal domestic factors that have weighed lately on the local currency - such as strong EUR demand from oil companies - appear to have abated of late and renewed investor demand for local paper in the short-term is likely after the ECB left the door open for further monetary stimulus in March. As such, we anticipate the EUR/RSD to stabilize around current levels in the coming sessions. Looking further ahead, we expect to see a slow retreat to 122.00 in the time frame of one month in the run-up to a period of big dinar denominated auctions which could attract foreign capital and provide further support to dinar. At the same time, sessional demand from oil importers appears to be nearing its end.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1906.90	2.0%	-6.7%
Nikkei 225	17110.91	0.9%	-10.1%
STOXX 600	337.73	-0.2%	-7.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.0816	0.2%	-0.4%
GBP/USD	1.4257	-0.1%	-3.3%
USD/JPY	118.44	0.3%	1.4%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.04	-1	-23
Bund-10yr	0.48	-1	-15
JGB - 10yr	0.23	-1	-4

Commodities

	Last	ΔD	ΔYTD
GOLD	1103	0.5%	4.0%
BRENT CRUDE	32	-1.8%	-15.2%
LMEX	2102	0.2%	-4.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	291	1	-12
1-week	3.02	1	-17
1-month	3.26	2	-25
3-month	3.46	1	-37
6-month	3.66	1	-37

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.57	-2	-9
5Y RSD	5.11	0	-1
7Y RSD	7.79	-1	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.19	0	3
USD Nov-24	6.43	1	2

CDS

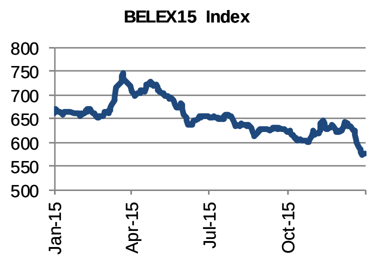
	Last	ΔDbps	ΔYTD bps
5-year	288	-1	13
10-year	334	0	-6

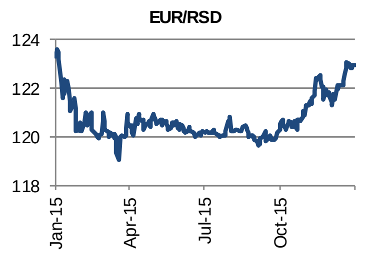
STOCKS

	Last	ΔD	ΔYTD
BELEX15	576.3	-0.03%	-10.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.96	-0.02%	-1.12%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	5	-11
1-month	0.6	4	-9
3-month	0.9	-2	-12
6-month	1.24	-2	-10
12-month	1.37	-6	-15

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.70	0	-23
5Y RON	2.55	-1	-25
10Y RON	3.52	0	-26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.53	-6	-4
USD Jan-24	3.65	1	-13

CDS

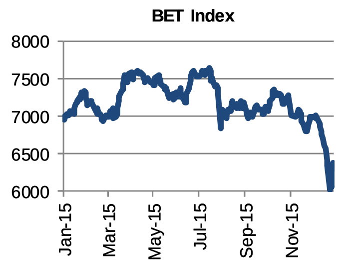
	Last	ΔDbps	ΔYTD bps
5-year	127	-3	-6
10-year	163	-3	-8

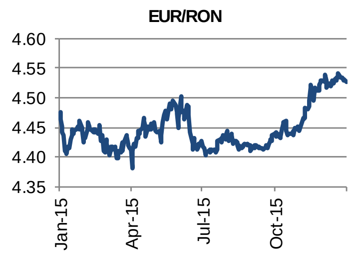
STOCKS

	Last	ΔD	ΔYTD
BET	6331.5	-0.72%	-9.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5262	0.15%	-0.27%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	-0.06	-4	-21
3-month	0.05	-3	-21
6-month	0.25	-6	-28
12-month	0.73	-5	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.16	0	-26
5Y BGN	0.23	1	-15
10Y BGN	1.80	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.13	0	6
EUR Sep-24	2.38	13	-4

CDS

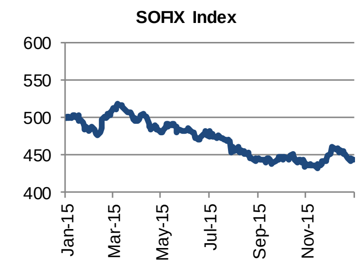
	Last	ΔDbps	ΔYTD bps
5-year	171	-4	-1
10-year	213	-4	-3

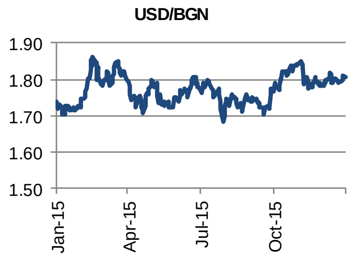
STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.7	-0.18%	-3.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8084	0.17%	-0.45%





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

Data updated as of 12:30 EET

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