

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 26, 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: Taking their lead from the negative tone in Asian bourses, European equity markets opened lower on Tuesday weighed down by a renewed slide in oil prices. The latest bout in risk aversion favored the JPY while investors adopt a cautious tone ahead of this week's two-day FOMC policy meeting which will commence later in the day.

GREECE: The Greek Prime Minister Alexis Tsipras presented yesterday to the Chairman of the Technical Chamber of Greece, the Chairman of the Plenary of the Bar Associations of Greece and the Chairman of the Panhellenic Medical Association a revised proposal regarding the social security reform, but, according to press reports no consensus was reached. Following S&P's decision to upgrade Greece's sovereign credit rating by one notch to B- earlier this week, Greek government bonds firmed with the 10-year yield trading close to 9.56% at the time of writing, having retreated from a five-month peak of 10.15% hit last week.

SOUTH EASTERN EUROPE

BULGARIA: According to the EU Commission finalized data, Bulgaria absorbed 85% of the EU funds available for the 2007-2013 program period.

ROMANIA: The finance ministry sold at an auction on Monday RON 500mn (~€76.7mn) of 5Y T-Bonds at an average accepted yield of 2.53%, 26bps lower compared to that achieved at a prior tender of the same paper in December.

SERBIA: According to the latest data released by the Statistical Office of the Republic of Serbia, average net salaries and wages paid in December 2015 amounted to RSD 51,485 (~€ 418.4), corresponding to an increase of 16.8% compared to the prior month and an annual rise of 1.5% in real terms.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the negative tone in Asian bourses, European equity markets opened lower on Tuesday weighed down by a renewed slide in oil prices. After hitting multi-session closing highs near \$32.20/barrel late last week, the Brent crude oil price resumed its downtrend thereafter hovering around \$29.50 at the time of writing, 3.3% lower compared to the settlement in the prior session and 21% weaker from the end of 2014 amid heightened oversupply woes. Iraq's oil output reached a record high last month and a senior Iraqi official was quoted saying today that the country, one of the world's largest oil producers, is mulling a further increase in output this year. The renewed bout in risk aversion favored the JPY with the USD/JPY hovering around 118.00 in early European trade, 0.2% higher compared to Monday's settlement. Market cautiousness ahead of the two-day FOMC policy meeting which commences later in the day, also had an impact. Yet, in spite of today's upside move, the USD/JPY remained below last week's 118.87 peak on renewed market talk of further BoJ monetary policy easing in the foreseeable future amid concerns over second-round effects from low oil prices and persistently subdued inflation pressures. US CB consumer sentiment for January and US Chase Shiller Index for November feature high in today's calendar.

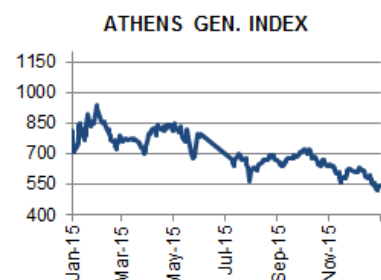
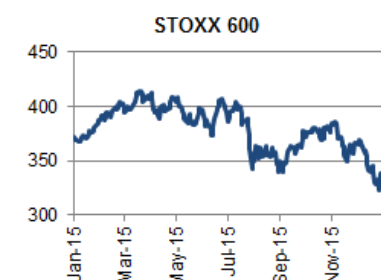
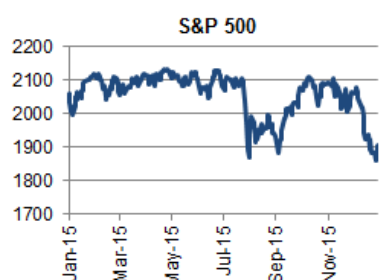
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GREECE

The Greek Prime Minister Alexis Tsipras presented yesterday to the Chairman of the Technical Chamber of Greece, the Chairman of the Plenary of the Bar Associations of Greece and the Chairman of the Panhellenic Medical Association a revised proposal regarding the social security reform and asked them to bring forward their own proposals. According to press reports, however, no consensus was reached at this meeting. Meanwhile, responding to a question raised by Greek MEP Dimitris Papadimoulis, the European Commissioner for Economic and Financial Affairs Mr. Pierre Moscovici, raised the issue of re-examining the regulatory framework governing the Greek labour market in order "to achieve sustainable and inclusive growth thereby attaining the objective of competitiveness, employment and income distribution". The above followed the release of a number of recent local press reports suggesting that the IMF is likely to request the adoption of additional labour market reforms as a prior action attached to the completion of the 1st programme review.

Following S&P's decision to upgrade Greece's sovereign credit rating by one notch to B-earlier this week, Greek government bonds firmed with the 10-year yield trading close to 9.56% at the time of writing, having retreated from a five-month peak of 10.15% hit last week.

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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

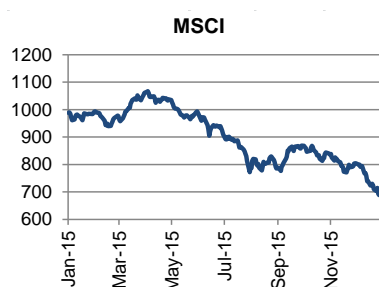
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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

According to the EU Commission finalized data, Bulgaria absorbed 85% of the EU funds available for the 2007-2013 program period. The funding allocation expired at the end of last year, as beneficiary countries were assigned two more years (T+2) to absorb the remaining amounts. From a cross-country point of view, Bulgaria ranked 22nd in EU funds absorption-below the EU-28 average (88.9%) - leaving behind also Romania. As of end-December, Bulgarian beneficiaries had been allocated more than €10.7bn under the operational programs, with the EU authorities having reimbursed over €7.9bn of the payments. The remaining funds have been provided by the state budget, thus pushing the consolidated government deficit at 2.7% of GDP in 2015 according to preliminary Ministry of Finance data, yet down from the revised target of 3.3%.

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ROMANIA

The finance ministry sold at an auction on Monday RON 500mn (~€76.7mn) of 5Y T-Bonds at an average accepted yield of 2.53%, 26bps lower compared to that achieved at a prior tender of the same paper in December. The issue bears a coupon of 3.25% and expires on March 22, 2021. Reflecting strong investor demand the bid to cover ratio came in at 2.36. On the same day the finance ministry also sold the planned RON 1bn (~€0.22bn) of 6-month T-bills. The average accepted yield came in at 0.48%, well below 0.98% achieved at a prior auction of similar maturity paper held last October, while the bid to cover ratio stood at 3.5.

SERBIA

According to the latest data released by the Statistical Office of the Republic of Serbia, average net salaries and wages paid in December 2015 amounted to RSD 51,485 (~€ 418.4), corresponding to an increase of 16.8% compared to the prior month and an annual rise of 1.5% in real terms. Meanwhile, the average net salaries and wages paid during January-December 2015 decreased by 2.1% in real terms compared to the same period a year earlier.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1877.08	-1.6%	-8.2%	EUR/USD	1.0837	-0.1%	-0.2%	(yields)				GOLD	1115	0.6%	5.0%
Nikkei 225	16708.90	-2.3%	-12.2%	GBP/USD	1.4201	-0.3%	-3.6%	UST - 10yr	1.99	-1	-28	BRENT CRUDE	30	-0.6%	-18.7%
STOXX 600	332.67	-1.1%	-9.1%	USD/JPY	118.27	0.0%	1.5%	Bund-10yr	0.46	-2	-17	LMEX	2090	-0.6%	-5.1%
								JGB - 10yr	0.22	-1	-5				

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD bps
T/N	291	1	-12
1-week	3.02	1	-17
1-month	3.25	0	-26
3-month	3.46	0	-37
6-month	3.65	-1	-38

RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	3.58	-2	-9
5Y RSD	5.11	0	-2
7Y RSD	7.79	0	10

RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	3.21	1	5
USD Nov-24	6.43	0	1

CDS

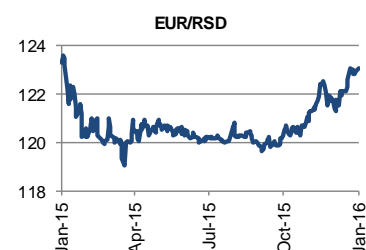
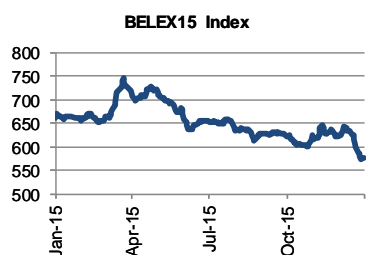
	Last	ΔD	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	579.3	0.41%	-10.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.99	0.18%	-1.14%



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	0.41	-1	-12
1-month	0.62	2	-7
3-month	0.88	-2	-14
6-month	1.18	-6	-16
12-month	1.34	-3	-18

RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.69	0	-24
5Y RON	2.52	0	-28
10Y RON	3.51	0	-27

RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Oct-25	2.56	3	-1
USD Jan-24	3.68	8	-10

CDS

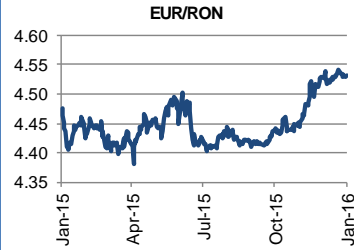
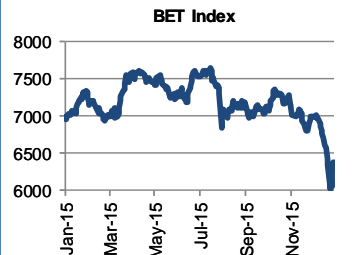
	Last	ΔD	ΔYTD bps
5-year	130	3	-3
10-year	165	2	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6155.5	-1.60%	-12.12%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.532	-0.03%	-0.40%



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD bps
LEONIA	-0.20	-11	-21
1-month	-0.05	1	-21
3-month	0.07	2	-19
6-month	0.29	4	-24
12-month	0.75	2	-23

BG Local Bonds

(yields)	Last	ΔD	ΔYTD bps
3Y BGN	0.12	-3	-2
5Y BGN	0.23	0	-14
10Y BGN	1.81	0	-4

BG Eurobonds

	Last	ΔD	ΔYTD bps
EUR Jul-17	0.13	0	6
EUR Sep-24	2.39	-8	-3

CDS

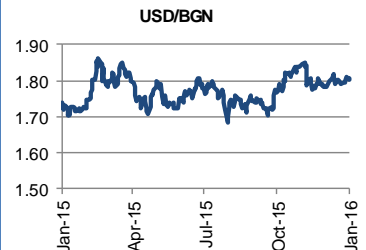
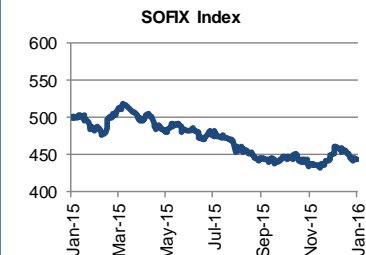
	Last	ΔD	ΔYTD bps
5-year	168	-3	-3
10-year	211	-3	-5

STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.7	-0.27%	-3.95%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8049	-0.11%	-0.25%



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

Data updated as of 12:15 EET

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