

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 27, 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: Market focus is on the FOMC monetary policy meeting which is scheduled to conclude later in the day. Market participants expect the Central Bank to stay put on its monetary policy after lifting the Fed Funds Rate just a month ago for the first time in near ten years. With no post-meeting press conference scheduled, investors are expected to scrutinize closely the accompanying statement.

GREECE: Speaking in Parliament yesterday on the planned overhaul of the social security pension system, Prime Minister Alexis Tsipras insisted that "the system is not sustainable" adding though that, based on the government's plan, there will be no cuts in existing main pensions. On his part, Kyriakos Mitsotakis, the newly elected President of the main opposition party New Democracy, set out alternative proposals such as the streamlining of the system into three funds (rather than one proposed by the SYRIZA/ANEL coalition government), the implementation of the zero deficit clause in supplementary pensions and the crackdown on undeclared labor.

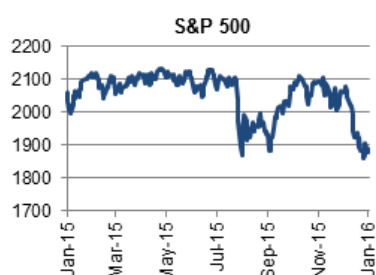
SOUTH EASTERN EUROPE

CYPRUS: On January 27th, the IMF board approved the 9th review of the Cypriot Economic Adjustment Programme which enabled access to an additional amount of €126.3mn.

CESEE MARKETS: Emerging stock markets moved broadly higher in European trade on Wednesday as bargain hunting emerged following a negative start into the year. Hopes for further monetary stimulus by the Bank of Japan and the ECB in the near future also favoured risk appetite. In the **CESEE region**, **bourses** stood in a modestly positive territory at the time of writing, while **currencies** and local currency **government bonds** were mixed.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Market focus is on the FOMC monetary policy meeting which is scheduled to conclude later in the day. Market participants expect the Central Bank to stay put on its monetary policy after lifting the Fed Funds Rate just a month ago for the first time in near ten years. With no post-meeting press conference scheduled, investors are expected to scrutinize closely the accompanying statement amid concerns whether the domestic economy is strong enough to withstand a second rate hike any time soon. Amid market anxiety about the tone of the FOMC statement, the USD came under some pressure with the DXY index hovering around 98.985 at the time of writing in European trade after testing levels close to 99.460 in the prior session. On the assumption that the FOMC emphasizes a positive medium term outlook for the domestic economy and the ongoing improvement in the labour market so as to leave the door open for further rate tightening in the coming months, the USD could move higher across the board. Technically, strong resistance lies at 99.799 (Jan. 21 high).

GREECE

Speaking in Parliament yesterday on the planned overhaul of the social security pension system, Prime Minister Alexis Tsipras insisted that "the system is not sustainable" adding though that, based on the government's plan, there will be no cuts in existing main pensions. On his part, Kyriakos Mitsotakis, the newly elected President of the main opposition party New Democracy, set out alternative proposals such as the streamlining of the system into three funds (rather than one proposed by the SYRIZA/ANEL collation government), the implementation of the zero deficit clause in supplementary pensions and the crackdown on undeclared labor. Meanwhile, farmers vowed to escalate their roadside demonstrations unless the government withdraws the relevant bill while the country's two main employee unions GSEE and ADEDY have decided to call a general strike on Thursday, February 4th to protest the government's plan for the planned overhaul of the social security system. The Hellenic Republic Asset Development Fund is reportedly planning to proceed with a new tender for railway service operator TRAINOSE, possibly within this week, as there is interest from new foreign candidate investors who are not allowed to participate in the existing process as the deadline for their entry expired in October 2013.

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Latest world economic & market developments in the CESEE region

CYPRUS

On January 27th, the IMF board approved the 9th review of the Cypriot Economic Adjustment Programme which enabled access to an additional amount of €126.3mn. It is worth mentioning that the Eurogroup had not approved the disbursement of the relevant ESM tranche back in mid-January, asking for the fulfillment of the remainder of the prior actions in the areas of the two state-owned public utilities, widely known as semi government organizations. Up until now, 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). In the press release, it was pointed out once more that macroeconomic outturns in the economic, fiscal and banking sectors have been favorable and better than expected. In addition, the IMF stressed the need for public debt and NPLs to decline from their current high levels. On the other hand, the press release contained a warning with respect to the implementation of structural reforms. More specifically, it was emphasized that with delays in the area of structural reforms, there is a need for a boost in the implementation in order to bolster confidence and protect long-term growth prospects. Firstly, the IMF underlined that progress on the legal framework to facilitate securitization of loans and transfer of property title deeds in non-legacy cases should be accelerated. Secondly, efforts to enhance financial sector oversight should continue by strengthening the Central Bank of Cyprus's governance and supervisory capacity. Third, prompt adoption of overdue reforms in tax administration, civil service employment, public financial management and state enterprises will strengthen fiscal performance and safeguard sustainability. Finally, implementation of the privatization program and concrete actions in improving the business environment would stimulate investment and improve efficiency.

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CESEE MARKETS

Emerging stock markets moved broadly higher in European trade on Wednesday as bargain hunting emerged following a negative start into the year. Hopes for further monetary stimulus by the Bank of Japan and the ECB in the near future also favoured risk appetite. That said, caution prevailed as oil prices declined anew as well as ahead of the conclusion of the Fed's monetary policy meeting later today. In the **CESEE region, bourses** stood in a modestly positive territory at the time of writing, while **currencies** and local currency **government bonds** were mixed. In the FX markets, the Hungarian forint was little changed hovering around levels of 312.70/EUR a day after the Central Bank stayed put on its monetary policy maintaining the key policy rate at the record low of 1.35% and leaving the door open for further loosening, if needed. Elsewhere, the Serbian dinar remained under pressure trading near a 1-year low of 123.26/EUR hit earlier today, despite repeated Central Bank's interventions in the FX markets this week to halt the currency's downside momentum. In more detail, the National Bank of Serbia sold euros near a EUR/RSD rate of 123.25 in the local interbank market on Tuesday, having also sold €10mn a day earlier.

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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

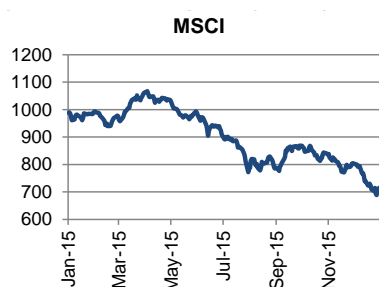
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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

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	1886.70	0.5%	-7.7%	EUR/USD	1.0837	-0.1%	-0.2%	UST - 10yr	2.00	0	-26	GOLD	1113	0.5%	4.9%
Nikkei 225	16708.90	-2.3%	-12.2%	GBP/USD	1.4284	0.2%	-3.1%	Bund-10yr	0.45	-2	-18	BRENT CRUDE	31	1.5%	-16.9%
STOXX 600	336.82	0.2%	-7.9%	USD/JPY	118.4	-0.1%	1.4%	JGB - 10yr	0.22	-1	-5	LMEX	2090	-0.6%	-5.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
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
3Y RSD	3.59	-1	-8
5Y RSD	5.12	0	-1
7Y RSD	7.79	0	9

RS Eurobonds

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

CDS

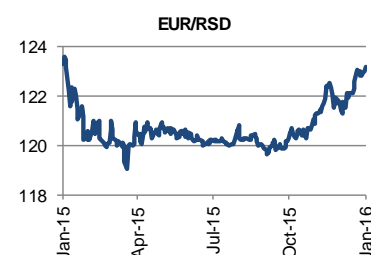
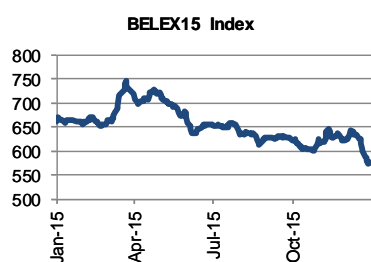
	Last	ΔD	ΔYTD
5-year	288	0	13
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	582.7	1.02%	-9.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.15	0.05%	-1.27%



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
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
3Y RON	1.70	1	-23
5Y RON	2.53	0	-27
10Y RON	3.53	2	-25

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	2.56	3	-1
USD Jan-24	3.66	6	-13

CDS

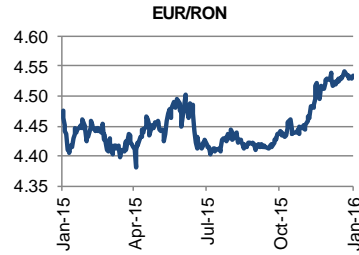
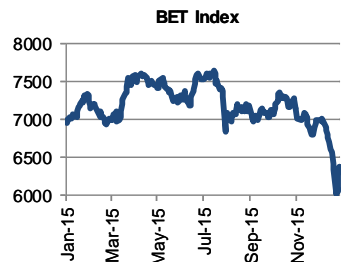
	Last	ΔD	ΔYTD
5-year	130	3	-3
10-year	165	2	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6229.4	-0.42%	-11.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.533	-0.05%	-0.42%



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
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
3Y BGN	0.30	15	17
5Y BGN	0.23	0	-14
10Y BGN	1.85	0	0

BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	0.13	0	6
EUR Sep-24	2.39	-4	-3

CDS

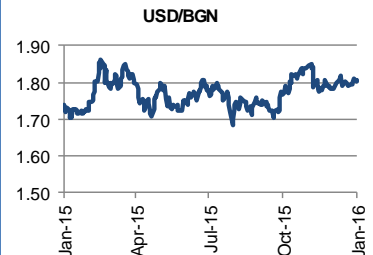
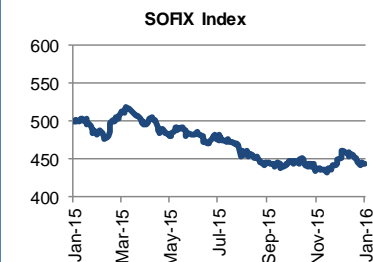
	Last	ΔD	ΔYTD
5-year	168	-3	-3
10-year	211	-3	-5

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.2	0.06%	-3.63%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.805	-0.12%	-0.26%



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

Data updated as of 17:00 EET of previous session

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