

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, January 29, 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 BoJ surprised markets by introducing a negative interest rate of 0.1% at its policy meeting today while maintained unchanged its monetary base target and the annual pace of asset purchases. In response to the BoJ announcement, the majority of global equity markets were firmer in early trade on Friday while the JPY fell across the board.

**GREECE:** Speaking to reporters, EU Commissioner for Economic and Financial Affairs Pierre Moscovici expressed his confidence that the ECB/EC/IMF/ESM mission heads will arrive in Athens in the coming days to commence discussions with domestic authorities in the context of the 1<sup>st</sup> programme review. On the data front, the Economic Sentiment Indicator improved in January for the fifth month in the last six months coming in at 91.6, the highest since May 2015.

### SOUTH EASTERN EUROPE

**ROMANIA:** Credit to the non-government sector continued recovering in December driven by the robust local currency dynamics, edging up to +3.0% YoY from +2.3% YoY in November.

**CESEE MARKETS: Emerging stock markets** extended this week's gains in early European trade today recouping part of this month's drop thanks to a timid recovery in global oil prices from recent 12-year lows and further monetary stimulus announced overnight from the Bank of Japan. In the CESEE region most **bourses** were broadly firmer earlier today, with the majority of regional **currencies** and local-currency denominated **government bonds** also moving higher thanks to improving market sentiment. In the **local rates markets**, Serbia's finance ministry sold at an auction on Thursday RSD9.6bn (~€0.08bn) of 4% 2018 T-Bonds, at an average accepted yield of 4.95%.

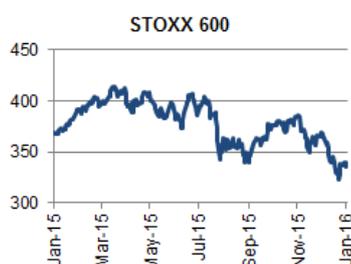
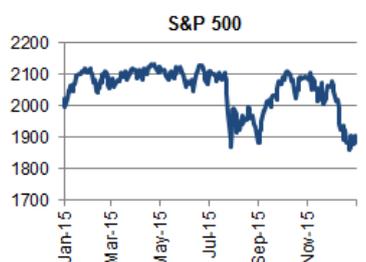
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## Latest world economic & market developments

### GLOBAL MARKETS

The BoJ surprised markets by introducing a negative interest rate of 0.1% at its policy meeting today while maintaining unchanged its monetary base target and the annual pace of asset purchases. In particular, the BoJ decided to introduce a three-tier system applying different interest rates on different outstanding balances of financial institutions' current accounts. In addition, the BoJ announced that, if needed, it is prepared to lower the interest rate further into negative territory. In response to the BoJ announcement, the majority of global equity markets were firmer in early trade on Friday while the JPY fell across the board. The USD/JPY hit a peak of 121.32 earlier today, the highest since mid-December 2015, before retreating modestly to levels around 120.93/97 at the time of writing. Technically, immediate resistance stands at today's high ahead of the more crucial 123.60 (Dec. 18 peak), a level that could be potentially tested in the coming sessions/weeks should upcoming US data/global developments reinforce expectations for a more aggressive than currently expected pace of Fed rate tightening ahead.



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

Speaking to reporters, EU Commissioner for Economic and Financial Affairs Pierre Moscovici expressed his confidence that the ECB/EC/IMF/ESM mission heads will arrive in Athens in the coming days to commence discussions with domestic authorities in the context of the 1<sup>st</sup> programme review. The EU Commissioner added the review "will take some time" as a number of difficult issues have to be addressed noting though that the intention of the European Commission is to complete the review "as soon as possible". Responding to a relevant question, he clarified that the refugee issue is not related to the completion of the programme review. According to press reports, the overhaul of the social security pension system constitutes the most "challenging" prior action attached to the review. As per the same sources, the technical teams representing Greece's official creditors that have already held discussions with domestic authorities on the reform of the social security system have reached the conclusion that the government's plan does not secure annual savings of 1%-of-GDP, as the MoU envisions. Press reports released earlier this week suggested that the IMF opposes the Greek government's proposal for an increase in social security contributions as a means to avert a cut in existing pensions. Instead, they have reportedly proposed an average cut of 15% in existing pensions. In any case, Greek Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos was quoted saying yesterday that the government intends to submit to Parliament the social security reform bill by February 22<sup>nd</sup>. On the data front, the Economic Sentiment Indicator for Greece improved in January for the fifth month out of the the last six coming in at 91.6, the highest since May 2015, from 87.1 in the prior month. The breakdown of the report showed that, with the exception of the Consumer Confidence Indicator, all other components improved.

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January 29, 2016

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

### ROMANIA

Credit to the non-government sector continued recovering in December driven by the robust local currency dynamics. Non-government credit edged up to -0.4 MoM/+3.0% YoY in December vs. +1.9 MoM/+2.3% YoY in November. RON denominated credit accelerated to a new post-crisis high of -0.7% MoM/+19.7% YoY in December up from +2.2% MoM/+18.7% YoY in November. Lending to households expanded briskly by +1.3% MoM/+31.1% YoY compared to lending to the corporates lagging behind at -2.5% MoM/+11.0% YoY in December. FX denominated lending continued shrinking by -0.1% MoM/-9.1% YoY in December from +1.6% MoM/-10.6% YoY in November, which reflects the lack of new FX-lending as a result of the macro-prudential regulations in place but also the disposal of NPLs by the domestic banking sector at the end of last year. On the other hand, deposits of the non-government sector expanded by +6.8% MoM/+8.6% YoY in December up from +1.6% MoM/+7.3% YoY in November driven by the seasonally increased consumer and government spending in the last month of the year.

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### CESEE MARKETS

**Emerging stock markets** extended this week's gains in early European trade today recouping part of this month's drop thanks to recovering global oil prices from recent 12-year lows and further monetary stimulus announced overnight from the Bank of Japan. Against this backdrop, the MSCI Emerging Markets index rose by approximately 0.5% at the time of writing compared to the prior session's settlement, standing near a 3-week peak and having erased part of this year's hefty losses. That said, the index has shed ca. 9% since the end of 2015, remaining not too far from a 6-1/2-year trough hit a week earlier in view of persisting concerns over China's economic growth prospects and a steep decline in commodity prices over recent months which has weighed on related shares.

In the CESEE region most **bourses** were broadly firmer earlier today, with Romania's BETI and Turkey's BIST100 indices firming by ca 0.7% each. On the other hand, Ukraine's and Bulgaria's main stock indices underperformed their regional peers to stand in a modestly negative territory at the time of writing. Along similar lines regional **currencies** and local-currency denominated **government bonds** moved broadly higher in European trade on Friday thanks to improving market sentiment. In the **local rates markets**, Serbia's finance ministry sold at an auction on Thursday RSD9.6bn (~€0.08bn) of 4% 2018 T-Bonds, less than RSD 12.7bn (~€0.10bn) initially planned. The average accepted yield came in at 4.95% and the bid to cover ratio stood at 1.32.

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January 29, 2016

### GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																													
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### CESEE MARKETS

#### SERBIA

##### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	290	0	-13
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	ΔDbps	ΔYTD bps
3Y RSD	3.52	#N/A N/A	-7
5Y RSD	5.12	#N/A N/A	0
7Y RSD	7.79	0	9

##### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.14	-1	-2
USD Nov-24	6.42	0	1

##### CDS

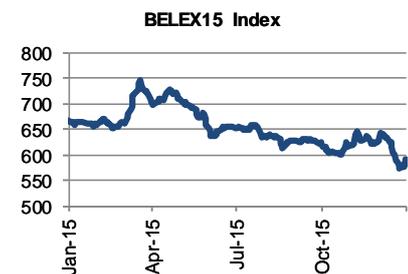
	Last	ΔDbps	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

##### STOCKS

	Last	ΔD	ΔYTD
BELEX15	600.2	1.40%	-6.82%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.34	-0.13%	-1.42%



#### ROMANIA

##### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-3	-13
1-month	0.53	-4	-16
3-month	0.85	-1	-17
6-month	1.13	-5	-21
12-month	1.32	-4	-20

##### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.68	-2	-25
5Y RON	2.49	-1	-31
10Y RON	3.49	-2	-29

##### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.48	-5	-9
USD Jan-24	3.60	-2	-18

##### CDS

	Last	ΔDbps	ΔYTD bps
5-year	126	-2	-8
10-year	169	7	-2

##### STOCKS

	Last	ΔD	ΔYTD
BET	6295.6	0.80%	-10.12%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5302	0.29%	-0.36%



#### BULGARIA

##### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.05	-1	-21
3-month	0.07	-1	-19
6-month	0.29	0	-23
12-month	0.73	0	-24

##### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.16	#N/A N/A	-16
5Y BGN	0.21	-2	-16
10Y BGN	1.86	0	1

##### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	9	-5
EUR Sep-24	2.36	14	-6

##### CDS

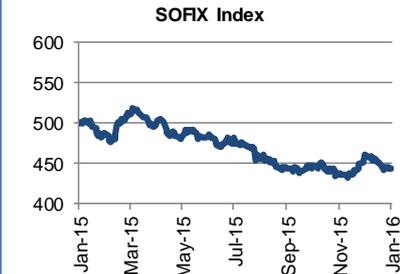
	Last	ΔDbps	ΔYTD bps
5-year	166	-3	-6
10-year	208	-3	-8

##### STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.1	-0.16%	-3.86%

##### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7935	-0.38%	0.38%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:00 EET

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