

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 1st 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%.

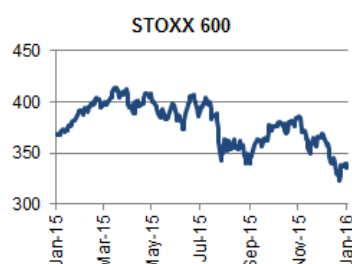
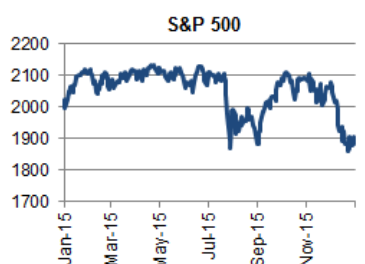
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Latest world economic & market developments

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 1st 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 22nd. On the data front, the Economic Sentiment Indicator for Greece improved in January for the fifth month out of 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.

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

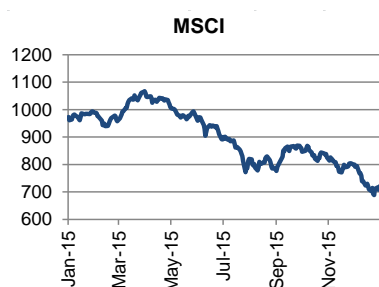
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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.

igkionis@eurobank.gr

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.

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	1893.36	0.6%	-7.4%	EUR/USD	1.0906	-0.3%	0.5%	UST - 10yr	1.93	-4	-33	GOLD	1114	-0.1%	5.0%
Nikkei 225	17518.30	2.8%	-8.0%	GBP/USD	1.4345	-0.1%	-2.7%	Bund-10yr	0.36	-4	-27	BRENT CRUDE	34	1.0%	-8.2%
STOXX 600	339.51	1.4%	-7.2%	USD/JPY	120.95	-1.8%	-0.7%	JGB - 10yr	0.10	-13	-17	LMEX	2146	-1.2%	-2.6%

CEESE 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

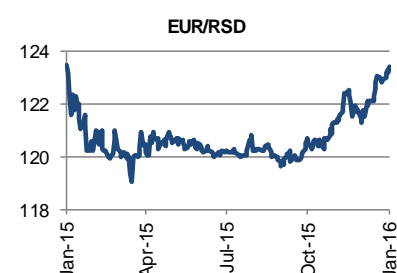
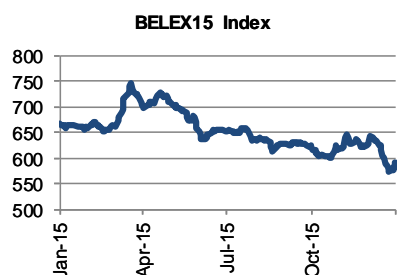
	Last	ΔDbps	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

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

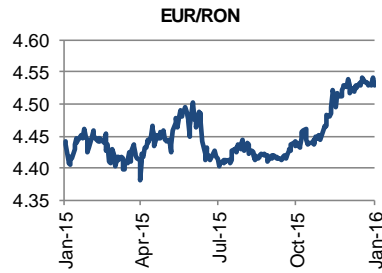
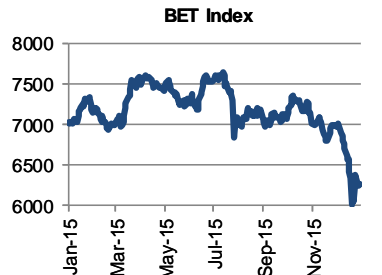
	Last	ΔDbps	ΔYTD bps
5-year	126	-2	-8
10-year	169	7	-2

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

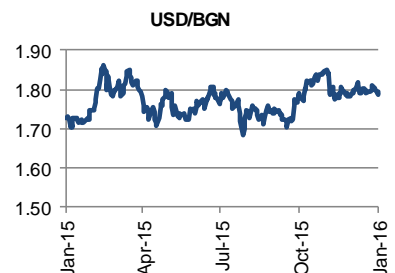
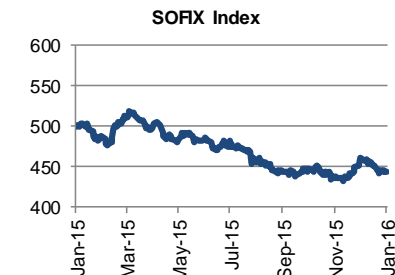
	Last	ΔDbps	ΔYTD bps
5-year	166	-3	-6
10-year	208	-3	-8

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

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

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