

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, January 11, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- January 12: Fed Beige Book
- January 14: Jobless claims (weekly)
- January 15
 - Empire State Index (Jan)
 - Retail sales (Dec)
 - IP (Dec)
 - UoM sentiment (Jan)

EUROZONE

- January 14: ECB MPC December 3 meeting minutes

GREECE

- January 11: Greek FinMin meets his Finn counterpart
- January 12: FinMin meets Eurogroup President
- January 13
 - Greek FinMin meets his German counterpart
 - CPI/HICP (Dec)

CYPRUS

- January 12: HICP (Dec)

SEE

BULGARIA

- January 11
 - Trade balance (Nov)
 - U/E rate (Dec)
- January 13: CPI (Dec)

ROMANIA

- January 11
 - Trade balance (Nov)
 - 3.5% 2022 T-bonds auction
- January 13
 - Net wages (Nov)
 - CPI (Dec)
 - IP (Nov)
 - CAD (Nov)
- January 14: 3.5% 2022 T-bonds auction
- January 15: GDP (Q3, f)

SERBIA

- January 12
 - HICP (Dec)
 - MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most Asian equities closed in the red on Monday, as soft Chinese inflation data revived concerns about deflationary pressures in China, overshadowing China's central bank initiative to set the daily midpoint rate higher for a second consecutive session. In FX markets, the USD/JPY regained some ground hitting session high of 117.90 in early European trade, after falling to a six-month low of 116.70 at some point earlier today as China's central bank decision softened investors' fears over a continuing depreciation of the yuan and smoothed demand for safe haven assets. The firmer than expected US December non-farm payrolls report that was released on Friday also had a positive impact on the US currency. Focus this week is on the ECB's accounts of the 3 December monetary policy meeting and the BoE monetary policy meeting on Thursday. On the US data front, retail sales and industrial data are due on Friday, while in the euro area, industrial production figures are expected to be published on Wednesday. Last but not least, Chinese trade data statistics on Wednesday are also anticipated to lure market attention.

GREECE: Speaking in a joint press conference after a meeting with his Greek counterpart, French Finance Minister Michel Sapin reportedly said that Greece's 1st programme review may be completed within weeks, opening the way for official discussions on Greece's debt sustainability. According to some press reports, technical teams representing Greece's official creditors are expected to arrive in Athens later this week to prepare the ground for the inception of official discussions in the context of the review. Provided that things go as planned, the mission heads are reportedly expected to arrive by January 25th.

SOUTH EASTERN EUROPE

BULGARIA: Despite a quiet start last week amid thin post-holiday trade, the local equity market ended lower on a weekly basis amid growing concerns about China's slowing economy.

ROMANIA: The year started out with a global risk-off mood stemming from China-related jitters, which however had relatively little impact on the RON markets.

SERBIA: The EUR/RSD moved sideways in the first week of the year, on the back of constant EUR demand from local corporates and ongoing Central Bank interventions.

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Latest world economic & market developments

GLOBAL MARKETS

Most Asian equities closed in the red on Monday, as soft Chinese inflation data revived concerns about deflationary pressures in China, overshadowing China's central bank initiative to set the daily midpoint rate higher for a second consecutive session. In more detail, although consumer price inflation rose to 1.6%YoY in December from 1.5%YoY in November, producer price inflation remained deep in negative territory (unchanged at -5.9%YoY in December). Against this backdrop, the Shanghai Composite Index closed 5.3% lower, adding to last week's 10% drop. In Europe, major equity indices reversed earlier losses with the Euro Stoxx 600 index advancing ca. 0.7% at the time of writing snapping a three-session declining streak. In FX markets, the USD/JPY regained some ground hitting session highs of 117.90 in early European trade, after falling to a six-month low of 116.70 at some point earlier today as China's central bank decision softened investors' fears over a continuing depreciation of the yuan and smoothed demand for safe haven assets. The firmer than expected US December non-farm payrolls report that was released on Friday also had a positive impact on the US currency. Elsewhere, the EUR/USD was little changed hovering around 1.0890/95 at the time of writing, not far from a two-week high of 1.0968 hit earlier in Asian trade. Focus this week is on the ECB's accounts of the 3 December monetary policy meeting and the BoE monetary policy meeting both on Thursday. On the US data front, retail sales and industrial data are due on Friday, while in the euro area, industrial production figures are expected to be published on Wednesday. Last but not least, Chinese trade data statistics on Wednesday are also anticipated to lure market attention.

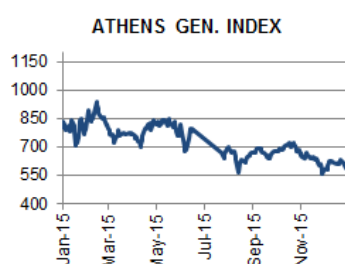
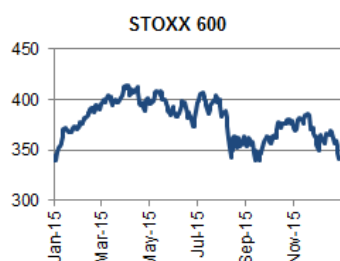
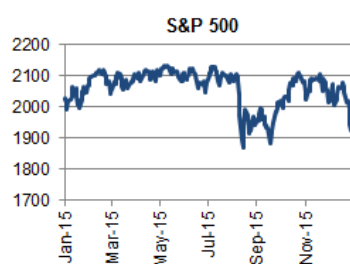
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GREECE

Speaking in a joint press conference after a meeting with his Greek counterpart, French Finance Minister Michel Sapin reportedly said that Greece's 1st programme review may be completed within weeks, opening the way for official discussions on Greece's debt sustainability. According to some press reports, technical teams representing Greece's official creditors are expected to arrive in Athens later this week to prepare the ground for the inception of official discussions in the context of the review. Provided that things go as planned, the mission heads are reportedly expected to arrive by January 25th. As per the same sources, key deliverables for the completion of the review, include inter alia: (i) an overhaul of the social security and pension system targeting annual savings of around 1%-of-GDP; (ii) certain amendments to the income tax system; (iii) additional labor market reform; (iv) finalization of any outstanding issue with regards to the NPL resolution framework; and (v) the establishment of the new Privatisation Fund. Continuing his attempt to win over allies on the draft of the social security and pension reform plan the Greek government submitted to the institutions earlier this month, Greece's Minister of Finance Euclid Tsakalotos is reportedly scheduled to meet today his Finnish counterpart Alexander Stubb, Eurogroup President Jeroen Dijsselbloem on Tuesday and German FinMin Wolfgang Schäuble in Berlin on Wednesday. Meanwhile, in yesterday's ballot for the new leader of the main opposition party New Democracy, Kyriakos Mitsotakis, a former minister in the cabinet of Antonis Samaras scored a surprising win. With around 70% of the votes counted, he secured c. 51% vs. 49% for former interim party leader Evangelos Meimarakis.

The industrial production index (IPI) increased 1.8%YoY in November 2015 after falling -1.9% (nsa, YoY%) in the prior month. On a monthly basis, after declining for two consecutive months, the IPI increased by 3.2% in November 2015.

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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

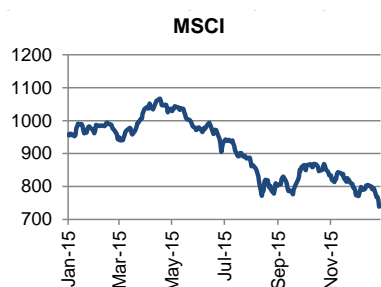
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Despite a quiet start last week amid thin post-holiday trade, the local equity market ended lower on a weekly basis amid growing concerns about China's slowing economy. In more detail, the benchmark SOFIX index lost 0.85% to end at 457.00 points on Friday, snapping a month of weekly gains over which the index had added 5.9% to its value. Meanwhile, the local sovereign bond curve broadly experienced a shift to the downside except for paper of long-end tenure, where yields remained largely unchanged compared to the prior week's settlement. Eurobonds were well supported as well. Earlier this week the Minfin released its January auction calendar planning just one issuance on the 25th for BGN 200mn in 10-year bonds.

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ROMANIA

The year started out with a global risk-off mood stemming from China-related jitters, which however had relatively little impact on the RON markets. Despite strong depreciation moves in regional currency markets, the EUR/RON was remarkably resilient. The pair traded through the week in a tight range between 4.5100/330 before closing on Friday at 4.5275, little changed from its end-2015 levels around 4.5125. Elsewhere, short-term RON rates remained low on the back of ample money market liquidity following high MoF budget spending in December. The 1W implied rate from swaps dropped for the first time to zero levels, while the 1M rate stayed at 0.35% and the 3M rate touched a historically low of 0.60%. At the NBR monetary policy meeting on Thursday, the central bank surprised the market by announcing a cut in the required reserves rate for foreign currency from 14% to 12%, a move that was expected to come later in the year. The central bank decision of no change either to the policy rate or to RON-denominated MRRs was widely expected and thus had no market impact. RON government bonds started the week on a bear steepening trend, with the 10Y yield moving up to a week's high of 3.80% on Wednesday compared to 3.70% on 31 December, 2015. In the second part of the week however the mood reversed, with off-shore buyers pushing yields down aggressively. As a result, losses in the first part of the week were completely recovered and yields across the curve closed the week around 5bps lower compared to last year's closing levels.

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SERBIA

The EUR/RSD moved sideways in the first week of the year, with the pair's technical picture suggesting major support at 121.80 and key resistance at 122.25. The former level comes on the back of constant EUR demand from local corporates while resistance is holding its ground mainly thanks to National Bank interventions. Recall that the Central Bank sold around €40-50mn last week in order to halt the cross's upside momentum. Looking ahead, we expect EUR demand from local gas and oil companies to persist throughout January keeping the dinar under constant pressure. Once this demand from biggest clients softens, the dinar may recover ground towards 121.00. Nevertheless, the room for further RSD gains appears rather limited as it is highly likely that the NBS will intervene in the FX markets anew to soak up excess EUR liquidity.

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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	1922.03	-1.1%	-6.0%	EUR/USD	1.0886	-0.3%	0.3%	UST - 10yr	2.15	4	-12	GOLD	1100	-0.4%	3.6%
Nikkei 225	17697.96	-0.4%	-7.0%	GBP/USD	1.4566	0.4%	-1.2%	Bund-10yr	0.53	2	-10	BRENT CRUDE	33	-1.3%	-11.2%
STOXX 600	342.88	0.4%	-6.3%	USD/JPY	117.83	-0.5%	1.9%	JGB - 10yr	0.23	0	-4	LMEX	2109	-0.2%	-4.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	295	-2	-8
1-week	3.06	-1	-13
1-month	3.35	2	-16
3-month	3.58	4	-25
6-month	3.78	5	-25

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	-2	-4
5Y RSD	5.09	-1	-4
7Y RSD	7.70	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.17	0	1
USD Nov-24	6.42	0	1

CDS

	Last	ΔDbps	ΔYTD bps
5-year	281	2	7
10-year	325	2	-14

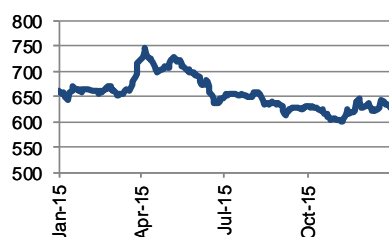
STOCKS

	Last	ΔD	ΔYTD
BELEX15	628.8	-0.69%	-2.38%

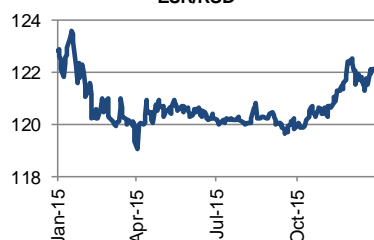
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.16	-0.12%	-0.47%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	1	-10
1-month	0.62	-3	-7
3-month	0.97	-1	-5
6-month	1.32	-1	-2
12-month	1.49	-1	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.37	-5	-94
5Y RON	1.93	-2	-78
10Y RON	3.62	-5	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	0.95	0	-6
USD Aug-23	3.63	1	-10

CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	2	1
10-year	172	2	1

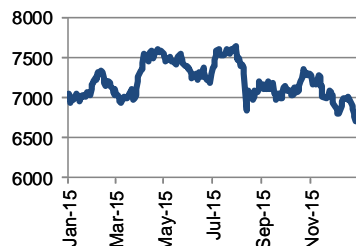
STOCKS

	Last	ΔD	ΔYTD
BET	6637.6	-1.06%	-5.24%

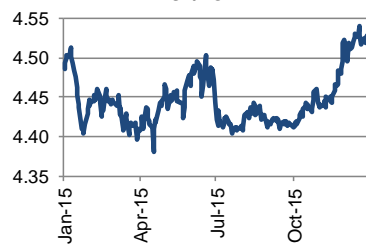
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5277	0.00%	-0.30%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	0.00	-3	-15
3-month	0.12	-3	-14
6-month	0.35	-3	-17
12-month	0.81	-3	-16

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.07	8	3
5Y BGN	0.27	2	-10
10Y BGN	1.91	0	6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.01	-5	-6
EUR Sep-24	2.36	12	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	169	-1	-2
10-year	213	-1	-3

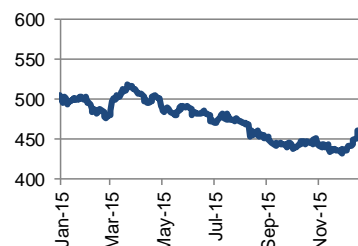
STOCKS

	Last	ΔD	ΔYTD
SOFIX	456.6	-0.10%	-0.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7968	-0.37%	0.19%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EET

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