

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 12, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- January 13: 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 bourses closed in the red on Tuesday amid lingering worries over the growth prospects of the Chinese economy. Continuing weakness in oil prices also had an impact. On the flipside, the majority of European equity shares advanced in early trade on higher retail stocks following a four-session declining streak. In FX markets, the renewed drop in oil prices to fresh multi-year lows drove oil related currencies lower. Elsewhere, the US dollar retained a firm tone against its major currency peers. The data calendar is relatively light today, though Fed Stanley Fischer's and Jeffrey Lacker's speeches will be worth watching. Adding to this, speeches by the ECB's Peter Praet and Sabine Lautenschläger will probably be scrutinized by market participants.

GREECE: Speaking in a press conference after a meeting with his Greek counterpart, Finnish Finance Minister Alexander Stubb expressed his satisfaction with the progress made so far by the Greek side in the implementation of the agreed reforms agenda suggesting that Greece is moving "in the right direction". According to some press reports, besides the planned overhaul of the social security and pension system, the size of any projected fiscal gap in the period 2016-2018 is also expected to dominate official discussions in the context of the 1st programme review. The mission heads are reportedly expected to arrive in Athens by January 25th to hold discussions with the government in the context of the review with an intention for it to be completed by end-February.

SOUTH EASTERN EUROPE

BULGARIA: The trade deficit continued shrinking in the first eleven months of the year, amounting to BGN 5,454mn, down by 21%YoY.

ROMANIA: Romania's FinMin sold at an auction on Monday RON 352mn (~€77.69mn) of December 2022 T-bonds, more than RON 300mn (~€66.21mn) initially planned. The average accepted yield came in at 3.06%, nearly 20bps lower compared to that achieved at a prior similar tender in December. Separately, according to the latest INSEE data, the trade of goods deficit widened to €783mn in November, up by 78.4%YoY bringing the cumulative deterioration at 35.5%YoY in January-November.

CESEE MARKETS: The majority of **emerging stock markets** retained a negative tone earlier on Tuesday amid China-related jitters and an ongoing decline in oil prices so far this year. Against this backdrop, most **regional currencies** remained under pressure and local-currency denominated **government bonds** broadly retreated in early European trade. In the **external sovereign debt markets**, Poland tapped yesterday international markets selling €1bn in 10Y and €750mn in 20Y Eurobonds priced respectively at 65bps and 100bps above mid-swaps. **CESEE focus today** in on Serbia's MPC meeting and December HICP. Parliamentary hearings of MPC candidates later on the day in Poland also lure market attention.

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Latest world economic & market developments

GLOBAL MARKETS

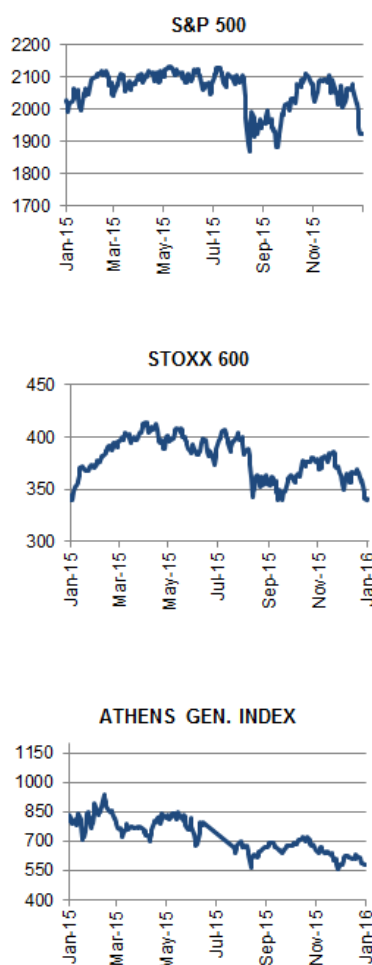
Most Asian bourses closed in the red on Tuesday, with the Japanese Nikkei-225 stock average index losing 2.7% to a one-year low of 17,218.96 points after a market holiday on Monday amid lingering worries over the growth prospects of the Chinese economy. Continuing weakness in oil prices also had an impact. In China, the Shanghai Composite Index reversed earlier losses to close 0.2% higher, as Chinese authorities have reportedly intervened to support the yuan. On the flipside, the majority of European equity shares advanced in early trade on higher retail stocks following a four-session declining streak. In FX markets, the renewed drop in oil prices to fresh multi-year lows drove oil related currencies lower. Elsewhere, the US dollar retained a firm tone against its major currency peers, with the DXY index hovering around 98.862 at the time of writing after falling to 98.252 at some point in the prior session. Yet, despite today's upside attempt, the index remained below multi-week highs of 99.634 recorded earlier this month, amid market uncertainty over the pace of Fed interest rate increases in the months ahead. The data calendar is relatively light today though Fed Stanley Fischer's speech on monetary policy, financial stability and the zero lower bound and Jeffrey Lacker's speech on the US economic outlook will be worth watching. Adding to this, speeches by the ECB's Executive Board Members Peter Praet and Sabine Lautenschläger will probably be scrutinized by market participants.

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GREECE

Speaking in a press conference after a meeting with his Greek counterpart, Finnish Finance Minister Alexander Stubb expressed his satisfaction with the progress made so far by the Greek side in the implementation of the agreed reforms agenda suggesting that Greece is moving "in the right direction". Echoing similar comments expressed by the Eurogroup President last week, the Finnish Minister also noted that it is important the IMF participates in Greece's new bailout programme. Aiming to inform his euro area counterparts over 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 continues a round of meetings with other euro area finance ministers this week. Today he is scheduled to meet Eurogroup President and Dutch Finance Minister Jeroen Dijsselbloem and German Finance Minister Wolfgang Schäuble in Berlin on Wednesday ahead of the upcoming Eurogroup scheduled for Thursday, January 14. According to some press reports, besides the planned overhaul of the social security and pension system, the size of any projected fiscal gap in the period 2016-2018 is also expected to dominate official discussions in the context of the 1st programme review. As per the same sources, official creditors anticipate a fiscal gap of 0.5-1%-of-GDP to arise in 2016 and up to 3%-of-GDP by 2018 so that the agreed medium term primary balance target of 3.5%-of-GDP to be fulfilled. The mission heads are reportedly expected to arrive in Athens by January 25th to hold discussions with the government in the context of the review with an intention for it to be completed by end-February.

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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

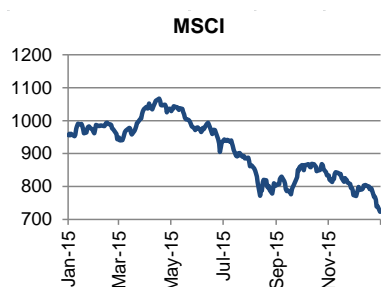
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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

BULGARIA

According to the latest NSI data, the trade deficit continued shrinking in the first eleven months of the year amounting to BGN 5,454mn, down by 21%YoY. Total exports declined modestly, by 0.8%YoY in November, thus bringing the cumulative expansion at 5.3%YoY in the January-November period. The decline reflects the underperformance of exports to extra-EU28 destinations (-4.3%YoY in November/+0.4%YoY in Jan-Nov2015) which represented around 35% of total exports. At the same time, imports declined at a faster pace by -4.3%YoY in November, resulting in a cumulative contraction of -1.4%YoY in 11M-2015.

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ROMANIA

Romania's FinMin sold at an auction on Monday RON 352mn (~€77.69mn) of December 2022 T-bonds, an amount more than RON 300mn (~€66.21mn) initially planned for issuance. The average accepted yield came in at 3.06%, nearly 20bps lower compared to 3.25% achieved at a prior tender of the same paper in December, while the tender's bid to cover ratio came in at 2.2. Separately, according to the latest INSEE data, the trade of goods deficit widened to €783mn in November, up by 78.4%YoY bringing the cumulative deterioration at 35.5%YoY in January-November. Strong import growth (+8.5%YoY in November/+7.2%YoY in Jan-Nov2015) coupled with decelerating exports performance as a result of the underperformance of exports to extra-EU28 destinations (+1.3%YoY in November/+4.1%YoY in Jan-Nov2015) are the main drivers behind the trade deficit dynamics. The shortfall's widening is one of the warning signs that macroeconomic imbalances could reemerge as a result of the unwarranted fiscal stimulus ahead of the parliamentary elections in late 2016. That said, the robust performance in services and current transfers as a result of the improved EU funds absorption so far maintain the current account deficit at relatively low levels.

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CESEE MARKETS

The majority of **emerging stock markets** retained a negative tone earlier on Tuesday amid China-related jitters and an ongoing decline in oil prices so far this year. An explosion in Istanbul earlier today also weighed on market sentiment. The MSCI Emerging Markets index fell by 0.3% at the time of writing compared to the prior session's settlement following a 2.3% drop on Monday. Bourses in the CESEE region were mixed with Poland's WIG leading the way higher with a 1.5% advance and Romania's BETI broadly underperforming its peers with a 1.1% decline. Against this backdrop, most **regional currencies** remained under pressure and local-currency denominated **government bonds** broadly retreated in early European trade. In FX markets, the Hungarian forint and the Polish zloty led the losers' pack sliding to respective 1-year lows of 319.10 and 4.3762 vs. the EUR earlier today amid speculation about potential further monetary easing ahead. In the **external sovereign debt markets**, Poland tapped yesterday international markets selling €1bn in 10Y and €750mn in 20Y Eurobonds priced respectively at 65bps and 100bps above mid-swaps, i.e. at yields of 1.542% and 2.471%. **CESEE focus today** in on Serbia's MPC meeting and December HICP. Despite weak inflation pressures, the market's median forecast is for the National Bank of Serbia to stay put on its monetary policy and maintain its benchmark rate at the historic low of 4.50%, following the Fed rate liftoff late last year, a weaker dinar in recent weeks and fragile global risk sentiment. Parliamentary hearings of MPC candidates later on the day in Poland are also likely to lure market attention. Recall that eight of the ten MPC members have to be replaced by February 19th as their tenure expires.

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1923.67	0.1%	-5.9%
Nikkei 225	17218.96	-2.7%	-9.5%
STOXX 600	341.20	0.3%	-6.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.0884	0.2%	0.3%
GBP/USD	1.4535	-0.1%	-1.4%
USD/JPY	117.47	0.2%	2.2%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.17	0	-10
Bund-10yr	0.57	3	-6
JGB - 10yr	0.22	-1	-4

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELBOR	291	-4	-12
T/N	3.02	-4	-17
1-week	3.31	-4	-20
3-month	3.54	-4	-29
6-month	3.75	-3	-28

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.57	-2	-9
5Y RSD	5.08	-1	-5
7Y RSD	7.70	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.19	1	3
USD Nov-24	6.42	1	1

CDS

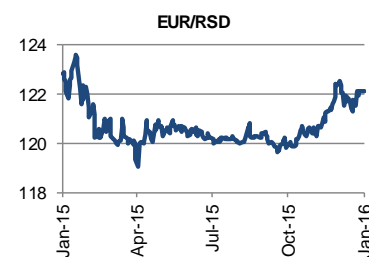
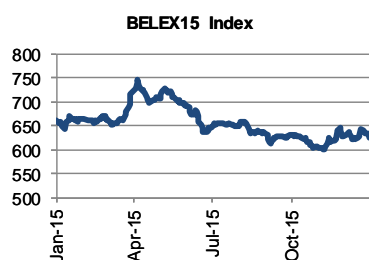
	Last	ΔDbps	ΔYTD bps
5-year	279	-2	4
10-year	323	-2	-16

STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.4	-0.14%	-3.05%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.10	0.00%	-0.42%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR	0.43	0	-10
O/N	0.62	0	-7
1-month	0.97	0	-5
3-month	1.32	0	-2
6-month	1.49	0	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	-1	-13
5Y RON	2.62	-2	-18
10Y RON	3.61	-1	-17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	-1	-7
USD Jan-24	3.68	0	-11

CDS

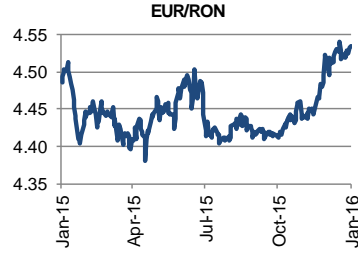
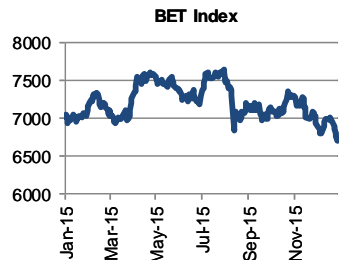
	Last	ΔDbps	ΔYTD bps
5-year	130	-4	-3
10-year	168	-4	-4

STOCKS

	Last	ΔD	ΔYTD
BET	6579.0	-0.45%	-6.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.533	-0.03%	-0.42%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.04	-3	-1
5Y BGN	0.25	-2	-12
10Y BGN	1.83	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.04	0	-3
EUR Sep-24	2.39	-16	-4

CDS

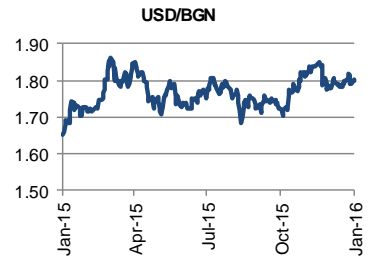
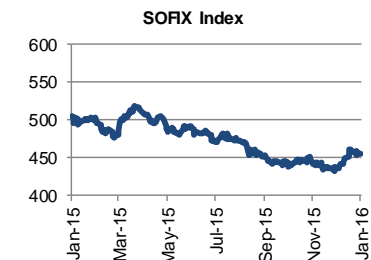
	Last	ΔDbps	ΔYTD bps
5-year	169	0	-3
10-year	213	0	-3

STOCKS

	Last	ΔD	ΔYTD
SOFIX	454.2	-0.02%	-1.46%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7974	0.21%	0.16%



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

Data updated as of 11:00 EET

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