

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 13, 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:** The majority of global equity markets were firmer today supported by better than expected trade data from China which somewhat eased market concerns over the growth prospects of the economy. Against this background, the USD moved higher across the board today while oil prices remained under pressure on persisting oversupply jitters.

**GREECE:** As part of a series of meetings with euro area finance ministers over the last few sessions in an attempt to inform them about the draft plan of a social security and pension reform the government submitted to the institutions last week, Finance Minister Euclid Tsakalotos is scheduled to meet today in Berlin his German counterpart Wolfgang Schaeuble ahead of tomorrow's Eurogroup meeting. In other news, the Hellenic Republic Asset Development Fund (HRADF) announced yesterday that they unsealed a single binding bid for a majority 67% stake in Piraeus Port Authority that was submitted by China's Cosco Group.

### SOUTH EASTERN EUROPE

**ROMANIA:** Consumer inflation inched up to +0.1%MoM/-0.9%YoY in December compared to +0.3%MoM/-1.1%YoY in November, slightly below a market median forecast of +0.3%MoM/-0.8%YoY.

**SERBIA:** In line with our and market expectations the National Bank of Serbia (NBS) stayed put on its monetary policy yesterday, maintaining the key policy rate unchanged at the current record low level of 4.50%. Meanwhile, HICP for December came in at 1.5%, a tad above a 1.3% print recorded in the prior month, remaining below the (4±1.5%) target tolerance band for the 22<sup>nd</sup> month running as weak consumer spending, fiscal consolidation and low global oil prices are keeping price pressures at bay.

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## Latest world economic & market developments

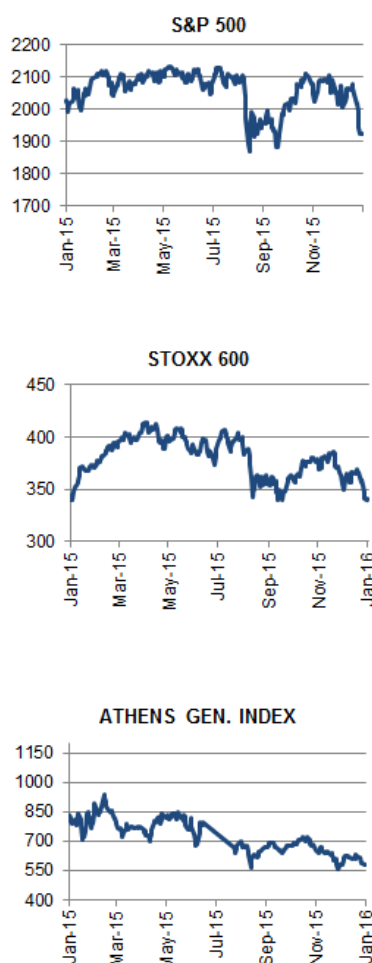
### GLOBAL MARKETS

The majority of global equity markets were firmer today supported by better than expected trade data from China which somewhat eased market concerns over the growth prospects of the economy. In more detail, China's exports rose in December by 2.3%YoY in CNY-denominated terms confounding expectations for a 8.0%YoY decline, while imports fell by a lower than projected 4.0%YoY. Improved market sentiment towards risky assets pushed the USD higher across the board with the DXY index hovering around 99.147 at the time of writing in European trade having recovered from lows near 98.573 recorded at some point in the prior session. Major US data are not due until Friday with the release of December retail sales and industrial production. Until then, the main focus should remain on speeches by a number of FOMC officials including Vice Chair Stanley Fischer and Richmond Fed President Jeffrey Lacker later today. In other news, oil prices remained under pressure on persisting oversupply jitters. Having recorded a drop of around 17% so far this year, the price of the Brent crude oil was standing close to \$31.50 per barrel earlier today after falling temporarily at \$30.86 on Tuesday, the lowest since February 2004.

### GREECE

As part of a series of meetings with euro area finance ministers over the last few sessions in an attempt to inform them about the draft plan of a social security and pension reform the government submitted to the institutions last week, Finance Minister Euclid Tsakalotos is scheduled to meet today in Berlin his German counterpart Wolfgang Schauble ahead of tomorrow's Eurogroup meeting. According to the official Eurogroup agenda, the main issues of discussion will include, among others, "the state of play in the implementation of Greece's economic adjustment programme and the possible schedule for the first review of the programme implementation". Separately, in a telephone call between US Treasury Secretary Jack Lew and Greek Finance Minister yesterday, the former is said to have insisted on the participation of the IMF in the Greek bailout programme and urged the Greek government "to cooperate closely with its international partners." In other news, the Hellenic Republic Asset Development Fund (HRADF) announced yesterday that they unsealed a single binding bid for a majority 67% stake in Piraeus Port Authority that was submitted by China's Cosco Group. The HRADF requested Cosco to submit an improved bid that will be reassessed next week. No official announcement was made on the size of the original bid.

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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

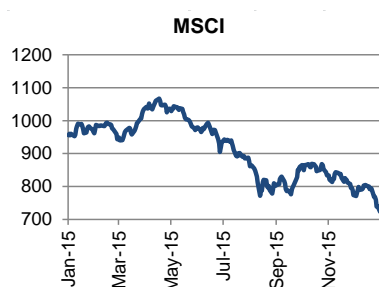
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### ROMANIA

Consumer inflation inched up to +0.1%MoM/-0.9%YoY in December compared to +0.3%MoM/-1.1%YoY in November. The reading was a notch below a market median forecast of +0.3%MoM/-0.8% YoY. The implementation of the front-loaded food VAT rate cut-from 24% to 9% effective from June 1st- has pushed annual food prices dynamics and subsequently headline inflation into negative territory, given the high share of food products in the consumption basket (32%). The volatile food component of CPI stood at +0.22%MoM/-6.20%YoY in December compared to +0.06%MoM/-6.20%YoY in November. Yet, the surprise came from the non-food items once more. Non-food items increased further to -0.1%MoM/+1.95% YoY in December compared to +0.5%MoM/+1.54%YoY in November as a result of the sharp oil price decline of last year dropping out of the statistical base. Services moved even higher at +0.4%MoM/+2.4%YoY compared to +0.3%MoM/+2.3%YoY in November in an illustration of demand side pressures building up in the non-tradables sector.

Overall, the reading came just an inch higher than the 2015-end projection of the Central Bank. In the latest November inflation report NBR downgraded its 2015-end inflation forecast to -0.7%YoY vs. -0.3%YoY in the August inflation report but at the same time upgraded its 2016-end forecast to +1%YoY compared to +0.7%YoY previously. Looking ahead, inflation is most likely to stay below the Central Bank target range (2.5%±1%) until at least the first half of 2016.

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### SERBIA

In line with our and market expectations the National Bank of Serbia (NBS) stayed put on its monetary policy yesterday, maintaining the key policy rate unchanged at the current record low level of 4.50%. This marks the third consecutive MPC meeting of stable interest rates after three consecutive 50bps monthly cuts, and cumulative rate-easing of 725bps since May 2013, out of which 350bps have been rendered in 2015. The NBS Executive Board cited prevailing international uncertainties behind its latest decision, following the inception of the Fed's rate-hiking cycle late last year, ongoing geopolitical risks and the slowdown in China's economy. On the other hand, the NBS noted that these uncertainties will be cushioned by the ECB's December decision to render further monetary stimulus. The Central Bank also highlighted that the domestic economy is better shielded against risks stemming from the international environment in view of the country's improving fiscal position, business and investment environment and narrowing external imbalances.

With regards to the inflation developments, the Central Bank acknowledged that inflation pressures will remain subdued in the period ahead, with the annual HICP currently standing below target. Notably, HICP for December, which was released yesterday, came in at 1.5%, a tad above a 1.3% print in the prior month, remaining below the (4±1.5%) target tolerance band for the 22<sup>nd</sup> month running, as weak consumer spending, fiscal consolidation and low global oil prices are keeping price pressures at bay. The NBS reiterated that it envisions inflation returning within the tolerance band in H2 2016, partially thanks to past rate cuts. Looking ahead, we continue to anticipate that the NBS will likely retain its wait-and-see stance in the months ahead, as the impact of past monetary easing feeds through into the domestic economy, inflation is seen returning towards the target, while fiscal and external risks linger and further rate cuts may weigh on the country's FX and debt markets.

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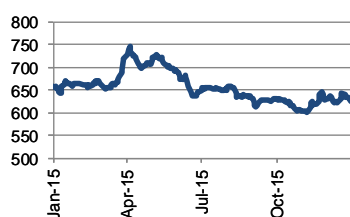
## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1938.68	0.8%	-5.1%	EUR/USD	1.0817	-0.4%	-0.4%	UST - 10yr	2.13	3	-14	GOLD	####	-0.4%	1.9%
Nikkei 225	17715.63	2.9%	-6.9%	GBP/USD	1.4451	0.0%	-1.9%	Bund-10yr	0.59	6	-4	BRENT CRUDE	32	2.6%	-15.1%
STOXX 600	348.14	1.4%	-4.8%	USD/JPY	118.27	-0.5%	1.5%	JGB - 10yr	0.20	-2	-7	LMEX	####	-0.7%	-7.0%

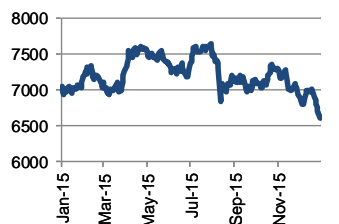
## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	291	0	-12	O/N	0.37	-2	-16	LEONIA	-0.09	0	-10
1-week	3.02	0	-17	1-month	0.59	-1	-10	1-month	-0.02	-2	-17
1-month	3.31	0	-20	3-month	0.92	-3	-10	3-month	0.11	0	-15
3-month	3.54	0	-29	6-month	1.29	0	-5	6-month	0.35	0	-18
6-month	3.75	0	-28	12-month	1.48	0	-4	12-month	0.80	0	-17
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	3.56	-2	-11	3Y RON	1.76	-3	-17	3Y BGN	0.02	-4	-4
5Y RSD	5.08	0	-5	5Y RON	2.60	-2	-20	5Y BGN	0.25	-1	-12
7Y RSD	7.70	0	0	10Y RON	3.53	-6	-25	10Y BGN	1.80	0	-5
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.21	0	5	EUR Oct-25	2.50	0	-7	EUR Jul-17	0.00	386	-7
USD Nov-24	6.42	0	1	USD Jan-24	3.73	5	-5	EUR Sep-24	2.40	-13	-2
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	279	0	4	5-year	127	-4	-6	5-year	170	1	-2
10-year	322	-1	-17	10-year	164	-4	-7	10-year	214	1	-2
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	623.0	-0.32%	-3.27%	BET	6574.6	0.09%	-6.14%	SOFIX	453.1	-0.26%	-1.68%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	122.22	0.01%	-0.52%	EUR/RON	4.5283	0.03%	-0.32%	USD/BGN	1.8081	-0.36%	-0.43%

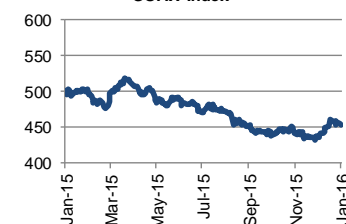
BELEX15 Index



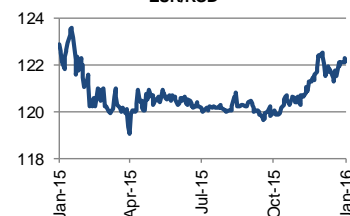
BET Index



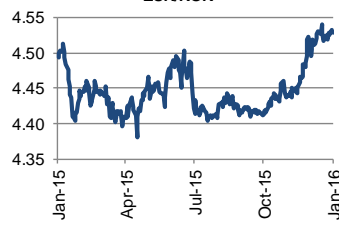
SOFIX Index



EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 12:20 EET

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