

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, January 18, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- January 22-23: World Economic Forum Annual Meeting in Davos

US

- January 19: NAHB Index (Jan)
- January 20
 - CPI (Dec)
 - Housing starts (Dec)
 - Housing permits (Dec)
- January 21
 - Philly Fed (Jan)
 - Jobless claims (weekly)
- January 22: Existing home sales (Dec)

EUROZONE

- January 20: DE: ZEW (Jan)
- January 21
 - HICP (f, Dec)
 - ECB meeting & press conference
- January 21: PMI manufacturing/ Services (Jan)

GREECE

- January 19: Industry - Turnover Index (Nov)
- January 20: Balance of Payments ((Nov)
- January 22
 - Quarterly non-financial sector accounts (Q3 2015)
 - S&P reassess Greek sovereign debt rating

SEE

BULGARIA

- January 18: CAD (Nov)

ROMANIA

- January 21: 5.8% 2027 T-bonds auction
- January 22: Fitch sovereign debt rating review

SERBIA

- January 20: CAD (Nov)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Oil prices remained under pressure on Monday following a string of weaker-than-expected US data late last week and news that Iranian sanctions were lifted on Saturday. Against this environment, major government bonds retained a firm tone while the JPY remained one of the main outperformers in FX markets. Looking at this week's global calendar, the ECB monetary policy meeting on Thursday takes centre stage ahead of China's activity data on Tuesday.

GREECE: According to some press reports, discussions in the context of the 1st programme review between the technical teams representing official creditors and Greek authorities reportedly commenced today. As per the same sources, talks focus mainly on the fulfilment of the agreed fiscal targets for fiscal years 2016, 2017, 2018 and the overhaul of the social security pension system which represent two of the key prior actions required to be fulfilled for the completion of the review. attached to the review./ According to preliminary figures on the execution of the State Budget on a modified cash basis, the State Budget Primary Balance amounted to a surplus of €2,267mn against a primary surplus target of €3,257mn and a surplus of €1,872mn recorded in the same period a year earlier.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market remained mostly in the red last week amid deteriorating risk sentiment globally. On the other hand, BGN denominated sovereign bonds were little changed on a weekly basis on Friday, while the Eurobonds yield curve undertook some steepening and adjustment to the upside.

ROMANIA: As this year's global risk-off mood continued last week, the EUR/RON retained its recent uptrend. Meanwhile, the recent rally witnessed in RON government bonds continued last week.

SERBIA: In line with the weakening trend in regional currencies, the dinar came under renewed pressure last week. Further depreciation in the coming days is likely, especially after Prime Minister Aleksandar Vucic announced on Sunday his decision to call early national elections, in a move to strengthen his government's mandate.

CESEE MARKETS: Emerging stock markets extended their recent losses on Monday on global growth concerns and further weakness in oil prices. Polish assets underperformed their regional peers after S&P unexpectedly cut Poland's sovereign credit rating by 1-notch on Friday, to BBB+ with negative outlook citing concerns over the new government's policies on the independence of the country's key institutions.

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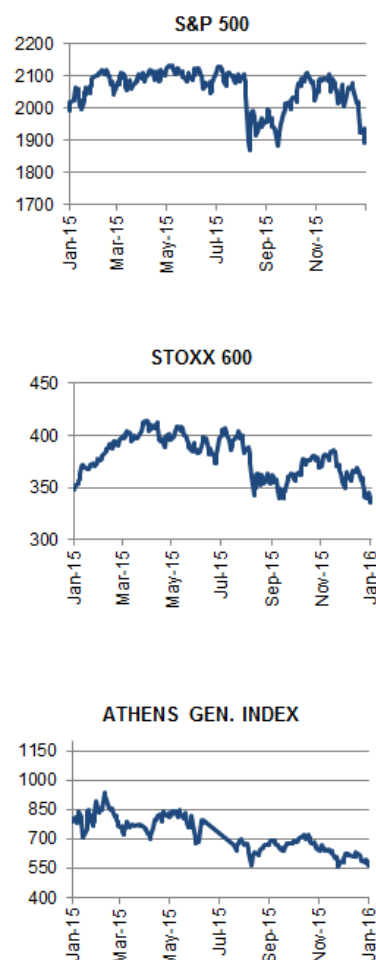
Latest world economic & market developments

GLOBAL MARKETS

Oil prices remained under pressure on Monday following a string of weaker-than-expected US data late last week and news that Iranian sanctions were lifted on Saturday allowing the country to fulfil its target for an immediate increase in oil exports by 500k barrels/day. The Brent crude oil was hovering around \$28.50 per barrel in European trade at the time of writing, after falling temporarily below the \$28.00 level earlier today for the first time since early November 2003. Against this environment, major government bonds retained a firm tone while the JPY remained one of the main outperformers in FX markets. Reduced market expectations of further BoJ monetary policy easing any time soon, may have also helped the JPY. Elsewhere, the majority of European bourses were modestly firmer in early trade supported by today's news that the People's Bank of China decided to start implementing a reserve requirement ratio (RRR) on some financial institutions involved in the offshore yuan market. Looking at this week's global calendar, key data releases include China's activity data on Tuesday (Q4 GDP, December industrial production) ahead of US December CPI on Wednesday. The ECB monetary policy meeting on Thursday also takes centre stage. The ECB is widely expected to refrain from announcing additional monetary policy easing while market participants are anticipated to closely scrutinize the press conference that will follow. In view of persistently subdued euro area inflation pressures, ECB President Mario Draghi is expected to adopt a dovish tone suggesting that the Central Bank is ready to act, if needed, to address the risk of inflation remaining at current low levels for longer than currently anticipated. US markets are closed today for the Martin Luther King Day.

GREECE

According to some press reports, discussions in the context of the 1st programme review between the technical teams representing official creditors and Greek authorities reportedly commenced today. As per the same sources, talks focus mainly on the fulfilment of the agreed fiscal targets for fiscal years 2016, 2017, 2018 and the overhaul of the social security pension system which represent two of the key prior actions required to be fulfilled for the completion of the review. In an interview to a German newspaper late last week, IMF Managing Director Christine Lagarde was quoted saying that Greece's public debt sustainability and progress on the social security pension system are key prerequisites for the Fund's involvement in the new bailout programme. As per the same sources, she added that official discussions on the social security pension reform may not conclude before H2 2016. In other news, according to preliminary figures on the execution of the State Budget on a modified cash basis, the overall central government deficit in the 12-months to December presented a deficit of €3,533mn compared to a budget target for a shortfall of €2,573mn and a deficit of €3,697mn in the same period a year earlier. The State Budget Primary Balance amounted to a surplus of €2,267mn against a primary surplus target of €3,257mn and a surplus of €1,872mn recorded in the same period a year earlier. State Budget net revenues amounted to €51,418mn, recording an underperformance of €1,673mn or 3.2% against the respective target due to the non-receiving of the ANFA & SMP revenues of €3,591mn. On the spending side, State Budget expenditures stood at €54,951mn, €713mn lower than the respective target.



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

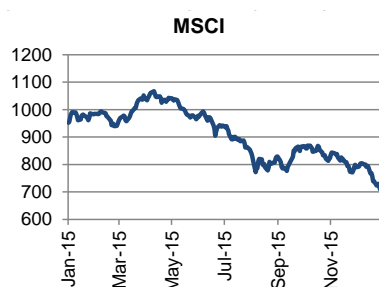
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The domestic stock market remained mostly in the red last week amid deteriorating risk sentiment globally. In more detail, the main SOFIX index fell by ca 1.5% to a three-week low of 448.17 points. Meanwhile, BGN-denominated sovereign bonds were little changed on a weekly basis ahead of the upcoming treasury auction for BGN 200mn scheduled on January 25th. On the other hand, the Eurobonds yield curve undertook some steepening and adjustment to the upside.

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ROMANIA

As this year's global risk-off mood continued last week, the EUR/RON retained its recent uptrend, hitting a 4.5480 new multi-session high on Thursday and closing at 4.5400 the week compared to 4.5300 the previous Friday. On the money market some players took advantage of the record low rates to secure funding, but the impact appeared to be rather limited. The implied 1M rate from swaps increased by 20bps on a weekly basis to 0.50%, while the 3M rate rose by 10bps to 0.70%. The recent rally witnessed in RON government bonds continued this week. As a result, the 3Y yield moved around 5bps lower to 1.75% over the week, the 5Y fell by 5bps to 2.62% and the 10Y yield decreased 8bps to 3.60%.

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SERBIA

In line with the weakening trend in regional currencies, the dinar came under renewed pressure last week, with the EUR/RSD ending 0.8% higher at 122.94 on a weekly basis on Friday. Although the Central Bank intervened in the FX markets selling €10-20mn in the beginning of the week in order to contain the pair's upside momentum, it refrained from acting anew later on, even though the pair reached a 1Y high at 122.96 on Friday. Further dinar weakness is likely in the coming days, if the NBS continues to refrain from intervening anew in the FX markets. Additionally, depreciation pressures on the RSD will likely be evidenced this week following Prime Minister Aleksandar Vucic's comments on Sunday that he decided to call early national elections, in a move to strengthen his government's mandate, though this news may have been partially priced in by financial markets. Despite of the dinar's weakening this week, the local T-bonds market fared well over recent days. The new 53W T-bond auction produced a 4.09% yield, largely unchanged from the prior tender held in mid-December with demand twice as high as the notional amount offered. Strong investor demand for the 3M auction, also held last week, pushed the yield to a new record low of 2.79%, below 2.94% achieved at a prior auction of similar maturity paper on November 15.

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CESEE MARKETS

Emerging stock markets extended their recent losses on Monday on global growth concerns and further weakness in oil prices which weighed on related shares. The MSCI Emerging Markets index slid to a new 6 ½-year trough intraday, while **CESEE currencies** came under renewed pressure and **government bonds** broadly retreated on deteriorating risk sentiment. Polish assets underperformed their regional peers after S&P unexpectedly cut Poland's sovereign credit rating by 1-notch on Friday, to BBB+ with negative outlook citing concerns over the new government's policies on the independence of the country's key institutions. The EUR/PLN was trading in European trade today near a 4-year peak at 4.4930, while 2 and 10-year T-bond yields rose by 13bps and 24bps, respectively, on the day.

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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	1880.33	-2.2%	-8.0%	EUR/USD	1.0904	-0.1%	0.4%	UST - 10yr	2.03	0	-23	GOLD	####	0.2%	2.8%
Nikkei 225	16955.57	-1.1%	-10.9%	GBP/USD	1.4303	0.3%	-2.9%	Bund-10yr	0.55	1	-8	BRENT CRUDE	29	-1.5%	-23.5%
STOXX 600	330.16	0.1%	-9.7%	USD/JPY	117.22	-0.2%	2.4%	JGB - 10yr	0.21	-1	-5	LMEX	####	-1.6%	-6.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	290	-1	-13
1-week	3.02	1	-17
1-month	3.30	1	-21
3-month	3.52	-1	-31
6-month	3.74	-1	-29

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.60	-2	-6
5Y RSD	5.11	0	-2
7Y RSD	7.70	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.20	0	3
USD Nov-24	6.42	1	1

CDS

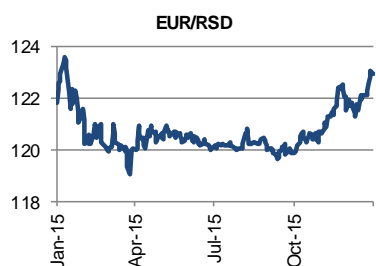
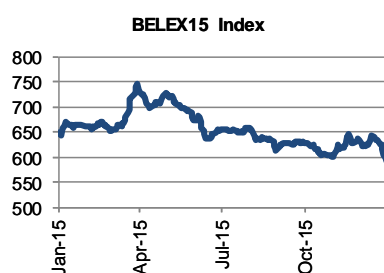
	Last	ΔDbps	ΔYTD bps
5-year	272	-7	-3
10-year	318	-4	-22

STOCKS

	Last	ΔD	ΔYTD
BELEX15	591.6	-1.62%	-8.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.91	0.05%	-1.08%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.37	-2	-16
1-month	0.61	1	-8
3-month	0.95	-1	-7
6-month	1.26	-4	-8
12-month	1.46	-3	-6

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	2	-15
5Y RON	2.66	5	-14
10Y RON	3.64	5	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.56	1	-1
USD Jan-24	3.78	2	0

CDS

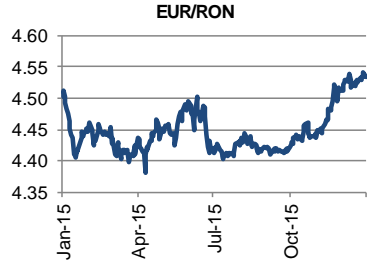
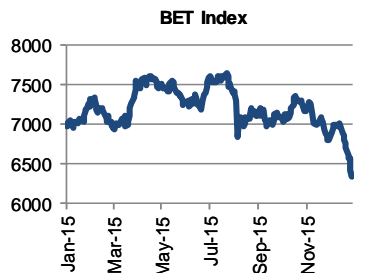
	Last	ΔDbps	ΔYTD bps
5-year	133	6	0
10-year	170	6	-1

STOCKS

	Last	ΔD	ΔYTD
BET	6111.8	-3.60%	-12.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5348	0.15%	-0.46%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	-0.03	-1	-19
3-month	0.10	0	-16
6-month	0.33	0	-20
12-month	0.80	-1	-18

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.01	2	-5
5Y BGN	0.26	0	-11
10Y BGN	1.89	0	4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	-5	-1
EUR Sep-24	2.42	-21	0

CDS

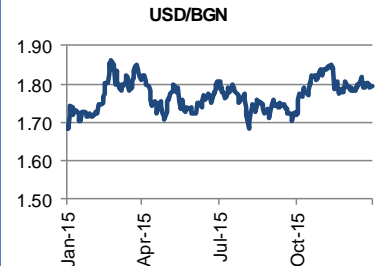
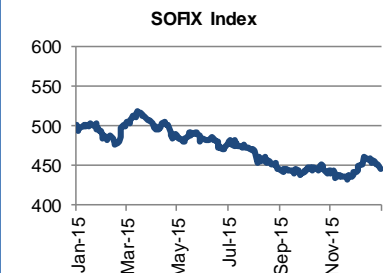
	Last	ΔDbps	ΔYTD bps
5-year	178	7	7
10-year	222	7	6

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.5	-1.29%	-3.57%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7939	-0.15%	0.36%



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

Data updated as of 11:40 EET

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