



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, January 09, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 11: President-elect Trump's first official press conference
- Jan 12
 - Initial claims (weekly)
 - Fed Chair Yellen speaks
- Jan 13
 - Retail sales (Dec)
 - Producer prices (Dec)
 - UoM consumer sentiment (Jan, p)

EUROZONE

- Jan 9: U/E rate (Nov)
- Jan 12: ECB meeting minutes (Dec)

GREECE

- Jan 9: Industrial production (Nov)
- Jan 11: CPI/HICP (Dec)
- Jan 12: U/E rate (Oct)

SEE

BULGARIA

- Jan 10
 - Industrial production (Nov)
 - Retail sales (Nov)
- Jan 12: Trade balance (Nov)
- Jan 13: CPI (Dec)

ROMANIA

- Jan 9
 - Trade balance (Nov)
 - ILO U/E rate (Nov)
- Jan 12
 - Industrial production (Nov)
 - T-Bonds auction
- Jan 13
 - Net wages (Nov)
 - CPI (Dec)
 - GDP (Q3, f)
 - MPC meeting minutes
 - Current account (Nov)

SERBIA

- Jan 10: 3.5% 2018 T-Bonds auction
- Jan 11: 2% 2019 T-Bonds auction
- Jan 12
 - CPI (Dec)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Although nonfarm payrolls increased by a lower-than-expected 156k in December, there was an upward revision of 19k for the prior two months, while the broader U-6 unemployment rate declined to a new nine-year low of 9.2%. Furthermore, average hourly earnings for all employees edged higher, rising 0.4%MoM and bringing its annual rate of growth to 2.9%, its highest rate since April 2009. Following signs of inflationary pressures in the US December employment report, the US dollar broke its two-day losing streak on Friday against its major currency peers, while the US 10-yr yield rose from 2.33% to 2.42% on the labor market data on Friday, and remained within distance around 2.40% in European trade on Monday. In the commodities markets, crude oil prices fell for the first time in four days on a stronger dollar and on growing concerns that OPEC production cuts could lead to an increase in North America's oil output.

GREECE: Although it is yet unclear when the institutions' technical staff are to return to Athens, deliberations in the context of Greece's 2nd programme review are expected to intensify as of this week ahead of the January 12th Euroworking Group and the subsequent January 26th Eurogroup. According to press reports, government officials claim that almost all of the prior actions attached to the current review are complete and that, to a large extent, the conclusion of the review depends on the institutions bridging their differences regarding the primary surplus targets for 2018 and beyond.

SOUTH EASTERN EUROPE

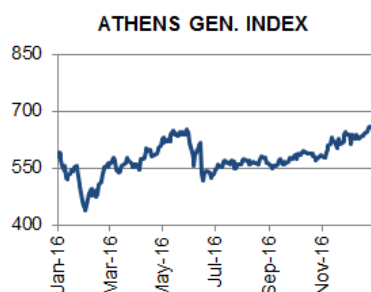
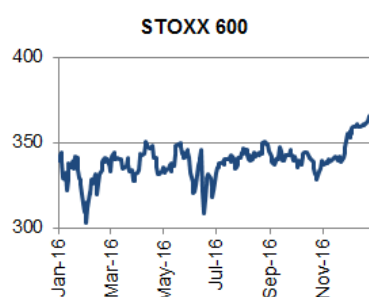
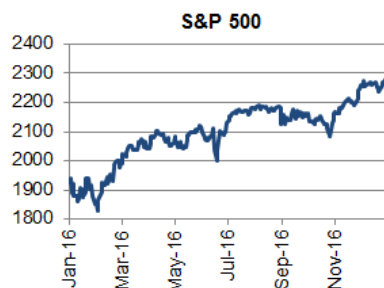
CESEE MARKETS: Emerging market assets broadly kicked off the week on a negative footing against a stronger US dollar. Idiosyncratic factors were also at play, with the Turkish lira plummeting by more than 2% in early European trade to a new record low near 3.73/\$.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street advanced modestly amid an overall positive December employment report. Although nonfarm payrolls increased by a lower-than-expected 156k in December, there was an upward revision of 19k for the prior two months, while the broader U-6 unemployment rate declined to a new nine-year low of 9.2%. Meanwhile, goods sector employment reported a solid gain of 12k given that manufacturing employment increased (+17k) for the first time in five months, which partly offset the weakness in the services sector that rose less than 150k for the second time in three months. Furthermore, average hourly earnings for all employees edged higher, rising 0.4%MoM and bringing its annual rate of growth to 2.9%, its highest rate since April 2009. Elsewhere, Asian equity shares traded mixed and major European bourses opened lower on Monday, ahead of President-elect Donald Trump's first formal press conference on Wednesday. In FX markets, the US dollar broke its two-day losing streak on Friday against its major currency peers, following signs of inflationary pressures in the US December employment report. Against this backdrop, the USD/JPY added 1.4% on Friday, hovering around 117.00 in early European trade on Monday, while the EUR/USD moved lower to levels around 1.0530 at the time of writing. In the rates markets, the US 10-yr yield rose from 2.33% to 2.42% on the labour market data on Friday, and remained within distance around 2.40% in European trade on Monday. In the commodities markets, crude oil prices fell for the first time in four days on a stronger dollar and on growing concerns that OPEC production cuts could lead to an increase in North America's oil output. Looking at the week ahead, focus is on the minutes of the December ECB monetary policy meeting on Thursday, which may offer some insight into the Governing Council's decision to decrease the size of its monthly asset purchases starting in April 2017. Moreover, in the US, regional Fed presidents' speeches as well as Janet Yellen's appearance at a webcast town hall meeting with educators on Thursday will probably be closely scrutinized by market participants. On the data front, US December retail sales and producer prices, as well as University of Michigan consumer sentiment (January preliminary reading), will likely also lure market attention.

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GREECE

Although it is yet unclear when the institutions' technical staff are to return to Athens, deliberations in the context of Greece's 2nd programme review are expected to intensify as of this week ahead of the January 12th Euroworking Group and the subsequent January 26th Eurogroup. According to press reports, government officials claim that almost all of the prior actions attached to the current review are complete and that, to a large extent, the conclusion of the review depends on the institutions bridging their differences regarding the primary surplus targets for 2018 and beyond. It should be reminded that as things stand the IMF foresees a primary surplus target in the area of 1.5%-of-GDP for 2018, significantly below the 3.5% target that the adjustment programme envisages. The Fund's review on Greece's economy and the accompanying debt sustainability analysis expected to be released in January, may shed some light on whether the Fund will financially participate in Greece's bailout programme or maintain an advisory role. The matter is further complicated by the German side's insistence that no further disbursements to Greece are likely to be approved by the Bundestag unless the IMF does participate financially in the programme. Another parameter that may impact the Fund's decision is the inauguration of the President elect of the USA who is said to be less eager to see the IMF having too active a role in European affairs. In any case, according to local officials, the Greek government's intention is to close the review as quickly as possible in order for Greek eligible debt to be included in the ECB's QE programme by March 2017 and Greece to return to international markets in the course of this year, ahead of the completion of the current bailout programme in August 2018.

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January 9, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2015	current	2016
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	-0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

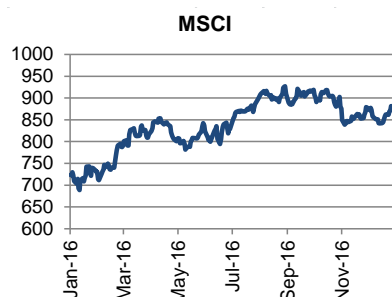
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2015	current	2016
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.4	1.0	2.1
Budget Balance/GDP	-3.7	-2.1	-1.7
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2015	current	2016
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets broadly kicked off the week on a negative footing against a stronger US dollar. Idiosyncratic factors were also at play. The Turkish lira plummeted by more than 2% in early European trade on Monday to a new record low near 3.73/\$, as Parliament is expected to begin debating today a constitutional amendment bill. The government-backed plans include a transition to a presidential system, which will effectively give the President executive powers, having stirred skepticism over power concentration. The proponents of the changes argue that the change will bring to an end fragmented parliaments and fragile coalition governments, which in the past have increased domestic political uncertainty. Any news on the issue will likely dominate headlines in the coming months. However, it is worth noting that the bill's parliamentary endorsement will most likely send these changes to a national plebiscite in mid-2017 and, if the referendum passes, the amendments will probably come into effect in 2019 when local, presidential and parliamentary elections are due.

Notwithstanding the aforementioned, security concerns following a string of bombings over recent months and July's coup attempt, deteriorating growth prospects and the lack of an aggressive response by the Central Bank on persistently above target inflation amid political calls for monetary easing to support the weakening economic activity have all weighted on the Turkish currency of late. In this context, Turkish government bonds also fell with the benchmark 2- and 10-year yields rising by 11bps and 15bps, respectively, to 10.65% and 11.15% earlier today, while the main BIST 100 stock index posted concomitant losses to the tune of 0.3%.

Looking into this week, MPC meetings in Poland and Serbia are in focus on Wednesday and Thursday, respectively. Both Central Banks are anticipated to keep their key policy rates unchanged at the current record low levels of 1.50% and 4.00%, respectively, as inflation pressures are expected to rise this year and push CPIs towards targets. On the latter, CPI data for December lure market attention in Serbia (Thursday), Romania, Hungary, Bulgaria and Poland (Friday). Government bond auctions in Serbia, Romania and Hungary as well as reviews on Poland's sovereign credit ratings by Moody's and S&P are also worth noting, among others.

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January 9, 2017

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	2276.98	0.4%	1.7%	EUR/USD	1.0519	-0.1%	0.0%	UST - 10yr	2.39	-3	-5	GOLD	1177	0.3%	2.1%
Nikkei 225	19454.33	-0.3%	1.8%	GBP/USD	1.2161	-1.0%	-1.6%	Bund-10yr	0.29	-1	8	BRENT CRUDE	56	-1.5%	-1.0%
STOXX 600	363.78	-0.5%	0.7%	USD/JPY	117.05	-0.1%	0.0%	JGB - 10yr	0.06	0	1	LME X	2689	0.2%	1.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-3	1
1-week	3.15	0	-2
1-month	3.34	-2	-1
3-month	3.48	-4	1
6-month	3.71	1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	0	-2
5Y RSD	5.34	0	-1
7Y RSD	5.63	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.26	4	-7
USD Nov-24	6.46	2	4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	208	0	0
10-year	255	1	0

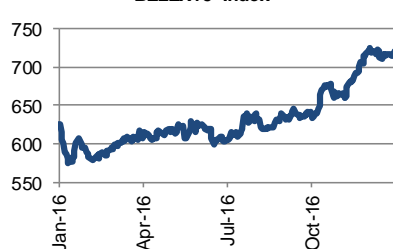
STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.3	0.76%	0.41%

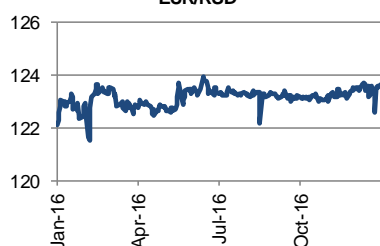
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.60	0.05%	-0.12%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	-1	-11
1-month	0.6	-1	-16
3-month	0.82	0	-8
6-month	1.08	-2	-3
12-month	1.21	-1	-4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	-2	-12
5Y RON	2.38	0	-14
10Y RON	3.42	0	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.06	#N/A	N/A
USD Jan-24	3.64	1	-21

CDS

	Last	ΔDbps	ΔYTD bps
5-year	102	-1	-7
10-year	146	1	-6

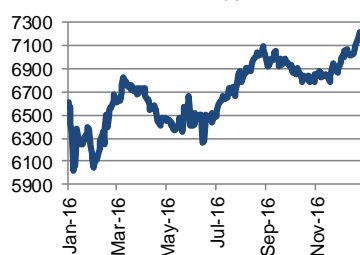
STOCKS

	Last	ΔD	ΔYTD
BET	7250.1	0.43%	2.33%

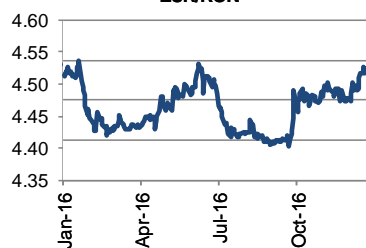
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5018	0.08%	0.83%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.10	0	-10
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.08	0	0
12-month	0.41	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.14	0	-1
5Y BGN	0.53	1	2
10Y BGN	1.85	0	-6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.42	0	-10
EUR Sep-24	1.72	-81	4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	131	-2	-21
10-year	173	-2	-21

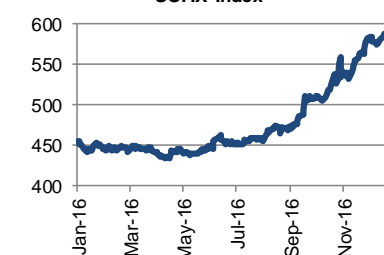
STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.5	0.60%	1.55%

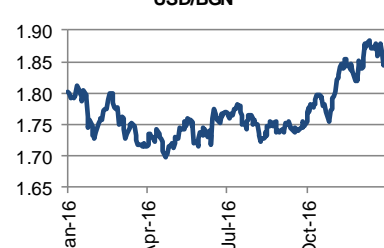
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8593	-0.11%	-0.05%

SOFIX Index



USD/BGN



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

Data updated as of 13:00 EET

January 9, 2017

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