



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, January 27, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 24: Existing home sales (Dec)
- Jan 26
 - Initial claims (weekly)
 - New home sales (Dec)
- Jan 27
 - GDP (Q4)
 - Durable goods orders (Dec)
 - UoM consumer confidence (Feb)

UK

- Jan 24: UK Supreme Court's verdict on UK government's appeal
- Jan 26: GDP (Q4, 1st est.)

EUROZONE

- Jan 23: consumer confidence (Jan)
- Jan 24
 - PMI manufacturing & services (Jan)
 - Existing home sales (Dec)
 - Italy's Constitutional Court ruling on electoral law
- Jan 25: DE: Ifo business climate

GREECE

- Jan 26: Eurogroup meeting

SEE

BULGARIA

- Jan 23: 2027 T-Bonds auction
- Jan 27: External debt (Nov)

ROMANIA

- Jan 26: T-Bonds auction

SERBIA

- Jan 25: Gross wages (Dec)
- Jan 26: 5.75% 2023 T-Bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street consolidated overnight retaining recent hefty gains, with the S&P500 index closing flat on the session despite the overall positive earnings reports, while Asian equity markets closed slightly higher on Friday in holiday-thinned trade ahead of the Lunar New Year holidays. Fuelled by the prospect of a sizeable fiscal stimulus by Donald Trump's administration, US Treasuries lost ground, with the 10-yr yield hovering around 2.52% at the time of writing, within distance from yesterday's one-month high of 2.55%. In Italy, the 10-yr yield climbed to a one-year high of 2.28% on Thursday on strong Italian bonds sell-off, as political risk premium rises after Wednesday's Constitutional Court ruling, which increased risks of snap elections later this year. In FX markets, the US dollar strengthened against its major currency peers, with the DXY dollar index advancing to a one-week high of 100.82 in European trade. In Japan, the BOJ's move to increase 5-10yr Japanese government bonds purchases to JPY450bn from JPY410bn previously has brought the 10-yr yield down ca. 0.08% from yesterday's eleven-month high of 0.101%. Favoured by the Central Bank's move, the USD/JPY rose to a one-week high of 115.31 in early European trade.

GREECE: The Eurogroup that convened yesterday did not produce the desired result for Greece which was the 'green light' for the return of the mission heads to Athens and the resumption of formal discussions in the context of the 2nd programme review. Instead, the Eurogroup urged all sides involved to accelerate their work so that a staff level agreement can be achieved as soon as possible. Although it was acknowledged that the Greek economy is recovering faster than expected and that the strong dynamics on the fiscal side have produced better revenue than expected, concerns were expressed as to whether this good performance is of a permanent or temporary nature. The IMF has reportedly submitted to its Board of Directors a DSA on Greek public debt which deems it highly unsustainable.

SOUTH EASTERN EUROPE

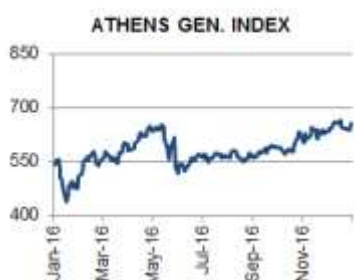
CESEE MARKETS: In FX markets, currencies were flat to weaker in morning European trade today as the US dollar recovered some ground. In the CESEE region, the Turkish lira remained under pressure ahead of a review by Fitch on the country's sovereign credit ratings.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street consolidated overnight retaining recent hefty gains, with the S&P500 index closing flat on the session despite the overall positive earnings reports, while Asian equity markets closed slightly higher on Friday in holiday-thinned trade ahead of the Lunar New Year holidays. Fuelled by the prospect of a sizeable fiscal stimulus by Donald Trump's administration, US Treasuries lost ground, with the 10-yr yield hovering around 2.52% at the time of writing, within distance from yesterday's one-month high of 2.55%. On the same note, the 10-yr Bund yield was trading around levels of 0.48% in European trade, not far from yesterday's year-to-date peak of c. 0.50%. In Italy, the 10-yr yield climbed to a one-year high of 2.28% on Thursday on strong Italian bonds sell-off, as political risk premium rises after Wednesday's Constitutional Court ruling, which increased risks of snap elections later this year. In FX markets, the US dollar strengthened against its major currency peers, with the DXY dollar index advancing to a one-week high of 100.82 in European trade. Meanwhile, the EUR/USD was trading close to 1.0694/95 at the time of writing, close to yesterday's one-week low of 1.0658. In Japan, the BOJ's move to increase 5-10yr Japanese government bonds purchases to JPY450bn from JPY410bn previously has brought the 10-yr yield down ca. 0.08% from yesterday's eleven-month high of 0.101%. Favoured by the Central Bank's move, the USD/JPY rose to a one-week high of 115.31 in early European trade. Looking at today's calendar, EU finance ministers will meet later in the day to discuss the financial transactions tax and the annual economic growth survey, while UK PM Theresa May meets US President Donald Trump. On the macro data front, Eurozone M3 money supply growth for December and US GDP first estimate for 4Q16 are expected to take centre stage.

okosma@eurobank.gr

GREECE

The Eurogroup that convened yesterday did not produce the desired result for Greece which was the 'green light' for the return of the mission heads to Athens and the resumption of formal discussions in the context of the 2nd programme review. Instead, the Eurogroup urged all sides involved to accelerate their work so that a staff level agreement can be achieved as soon as possible while there was explicit mention of the need to close pending items in the areas of labour, energy and product market reform as well as the medium term fiscal strategy. Although it was acknowledged that the Greek economy is recovering faster than expected and that the strong dynamics on the fiscal side have produced better revenue than expected, concerns were expressed as to whether this good performance is of a permanent or temporary nature. As a result, according to press reports, Greece was asked to legislate upfront the measures that it will take in order to cover potential fiscal gaps for the medium – term period beyond 2018. The exact amount of years that fall under the "medium term" was not, however, specified. With regard to the IMF, its participation was deemed "non-negotiable". Meanwhile, according to press reports the IMF has submitted two reports – including a debt sustainability analysis (DSA) – on Greece to its Board of Directors, which will be discussed on February 6th. The DSA, which takes into account the recently adopted short-term debt relief measures – reportedly characterizes Greek public debt highly unsustainable based on the sustainability rule that the gross financing needs (GFN) should not exceed 15% of GDP annually until 2040 and 20% of GDP annually beyond that year. The analysis also reportedly foresees lower growth than that projected by the European institutions and concludes that primary surpluses for 2018 and beyond will not exceed 1.5% of GDP. Among others, the IMF also notes that Greek public debt is vulnerable to external shocks and that even if Greece implements all the necessary reforms, its debt won't be sustainable through growth alone and without significant debt relief measures.

January 27, 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

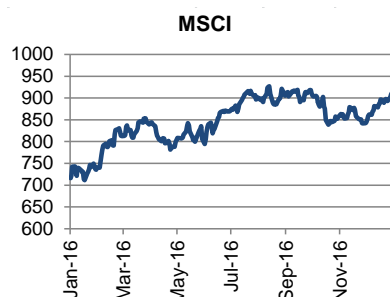
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| 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

In FX markets, currencies were flat to weaker in morning European trade today as the US dollar recovered some ground. In LATAM, the Mexican peso fell after the White House signaled that the US President is mulling the imposition of a 20% tax on goods imported from Mexico in order to fund the construction of a wall at the US-Mexico border. Meanwhile, Mexican President Enrique Pena Nieto announced yesterday that he was scrapping a planned trip to meet with the US President. The latter had tweeted earlier that the Mexican President should not visit the US if Mexico was unwilling to pay for the wall. Against this backdrop, the USD/MXN bounced slightly above 21.38 pulling further away from a 3-week low of 20.8649 hit intraday on Thursday.

In the CESEE region, the Turkish lira remained under pressure ahead of a review by Fitch on the country's sovereign credit ratings. Taking into account that economic growth prospects and domestic security concerns increased since the agency placed the outlook on Turkey's ratings to negative in August, a downgrade to junk appears to be on the cards on Friday. Presently, Fitch is the only of the three main agencies to rate Turkey in investment grade after Moody's downgraded its credit ratings for the country to Ba1 in September. S&P also revised lower its credit rating on Turkey by one notch in July to BB. Along these lines, the USD/TRY hovered around levels of 3.8805 at the time of writing after hitting a 2-week peak of just above 3.91 in Asian trade in a move towards a record high near 3.94 hit earlier in the month.

In the local debt markets, Serbia's finance ministry sold on Thursday RSD 5.625bn (~€0.05bn) in a re-tap of 7-year T-bonds, well below initial offer plans for RSD 15bn. The paper was sold at a price of 103.5626 and an average yield of 5.64%. The latter was in line with that achieved at a prior auction of the bond held on October 25. The issue bears a coupon of 5.75% and matures on July 21, 2023. The tender's bid-to-cover ratio came in at 2.37 yesterday. Elsewhere, Romania's finance ministry sold on Thursday RON 146.8mn (~€ 32.61mn) of 10-year T-bonds, half of the initially RON 300mn planned amount. The average accepted yield came in at 3.96%, 83bps above that achieved at a previous auction of the paper held in September. The 5.8%-coupon bond matures on July 26, 2027. The bid to cover ratio stood at 1.3 on Thursday.

gphoka@eurobank.gr

January 27, 2017

GLOBAL MARKETS

| Stock markets | FOREX | Government Bonds | Commodities | | | | | | | | | | | | |
|---------------|----------|------------------|-------------|---------|--------|-------|------|------------|------|----|------|-------------|------|-------|-------|
| Last | ΔD | ΔYTD | Last | ΔD | ΔYTD | Last | ΔD | ΔYTD | Last | ΔD | ΔYTD | | | | |
| S&P 500 | 2296.68 | -0.1% | 2.6% | EUR/USD | 1.0693 | 0.1% | 1.6% | UST - 10yr | 2.51 | 1 | 7 | GOLD | 1184 | -0.4% | 2.7% |
| Nikkei 225 | 19467.40 | 0.3% | 1.8% | GBP/USD | 1.256 | -0.3% | 1.6% | Bund-10yr | 0.47 | -1 | 27 | BRENT CRUDE | 56 | -0.4% | -1.5% |
| STOXX 600 | 365.74 | -0.5% | 1.2% | USD/JPY | 115.07 | -0.5% | 1.7% | JGB - 10yr | 0.08 | -1 | 4 | LMEX | 2802 | -1.5% | 5.4% |

CESEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 300 | 1 | 0 |
| 1-week | 3.13 | 3 | -4 |
| 1-month | 3.36 | 3 | 1 |
| 3-month | 3.49 | 3 | 2 |
| 6-month | 3.67 | 0 | 1 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 5.07 | -1 | -1 |
| 5Y RSD | 5.46 | 0 | 11 |
| 7Y RSD | 5.69 | 0 | 6 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 2.16 | -1 | -16 |
| USD Nov-24 | 6.48 | 1 | 7 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 204 | 0 | -3 |
| 10-year | 247 | -1 | -9 |

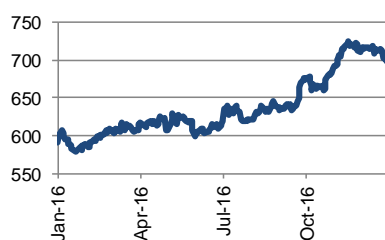
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 696.9 | -0.04% | -2.85% |

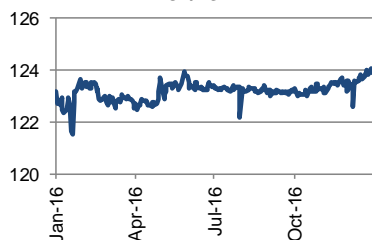
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RSD | 123.95 | 0.02% | -0.39% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.46 | -1 | -10 |
| 1-month | 0.6 | -1 | -16 |
| 3-month | 0.8 | -2 | -10 |
| 6-month | 1.03 | -2 | -8 |
| 12-month | 1.21 | -1 | -4 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 1.69 | 3 | 7 |
| 5Y RON | 2.62 | 2 | 10 |
| 10Y RON | 3.61 | 3 | -4 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 2.12 | 2 | -2 |
| USD Jan-24 | 3.80 | -2 | -6 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 95 | 0 | -14 |
| 10-year | 140 | 1 | -13 |

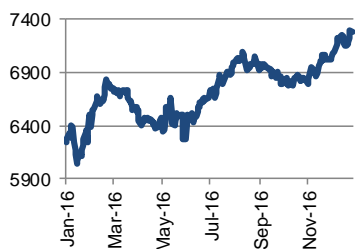
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|-------|
| BET | 7457.5 | 0.75% | 5.26% |

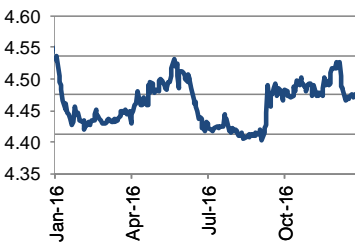
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.5065 | -0.19% | 0.72% |

BET Index



EUR/RON



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | -0.05 | 0 | -5 |
| 1-month | -0.16 | 1 | 0 |
| 3-month | -0.07 | 1 | 0 |
| 6-month | 0.07 | 0 | -1 |
| 12-month | 0.40 | 0 | 0 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 0.11 | 0 | -5 |
| 5Y BGN | 0.47 | 0 | -4 |
| 10Y BGN | 1.76 | 0 | -15 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Jul-17 | -0.55 | 0 | -22 |
| EUR Sep-24 | 1.64 | 33 | -4 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 120 | 0 | -32 |
| 10-year | 163 | 0 | -31 |

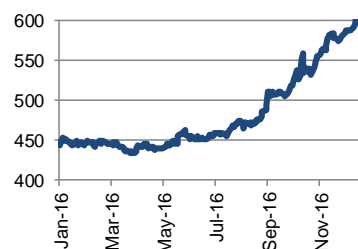
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|-------|
| SOFIX | 612.0 | 0.07% | 4.36% |

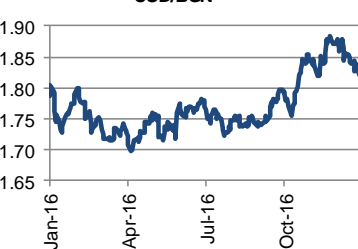
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| USD/BGN | 1.8291 | 0.10% | 1.60% |

SOFIX Index



USD/BGN



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

Data updated as of 11:35 EET

January 27, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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