

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, January 22, 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: In spite of lower oil prices and renewed financial market jitters since the beginning of this year, the ECB stayed put on interest rates at its monetary policy meeting yesterday, in line with market expectation, after launching a new round of easing measures just a month earlier. At the press conference that followed, President Mario Draghi adopted a more dovish than expected tone dropping clear hints for further monetary policy easing at the next meeting in March when the ECB will publish its updated macroeconomic projections. Reacting to the ECB President's dovish comments, German government bonds extended recent gains, European equity markets were firmer in early trade on Friday while the EUR came under pressure.

GREECE: In a statement issued yesterday after a meeting between IMF Managing Director Christine Lagarde and Greece's Prime Minister Alexis Tsipras on the sidelines of the World Economic Forum in Davos, the Fund said that it "stands ready to continue to support Greece in achieving robust economic growth and sustainable public finances through a credible and comprehensive medium-term economic program".

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold at an auction on Thursday RON 220mn (~€48.6mn) of 2027 T-Bonds at an average accepted yield of 4.02%, below 4.21% achieved at a prior tender of the same paper in November 2015.

SERBIA: The Public Debt Administration sold at an auction on Thursday €115.12mn of 3-year EUR-denominated T-bonds at an average accepted yield of 3.4%. The latter stood slightly below a yield of 3.5% achieved on December 24th when paper of similar maturity was last sold, while the amount allotted fell short of the €150mn initially planned.

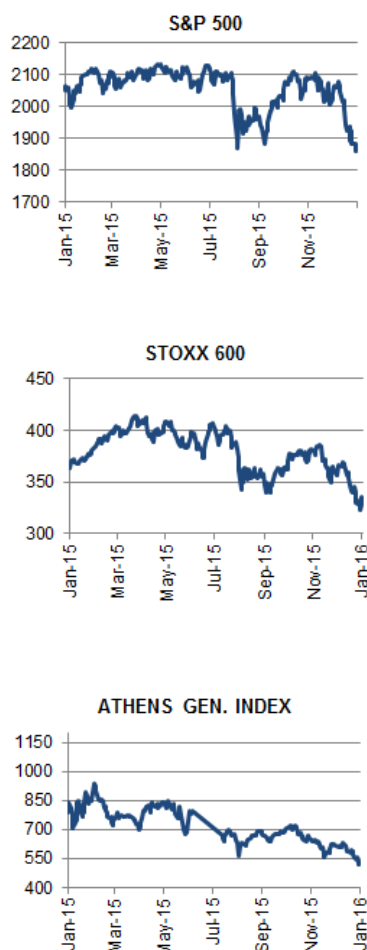
CESEE MARKETS: Emerging stock markets closed broadly lower on Thursday on persisting China-related jitters and lower global oil prices. European Central Bank President Mario Draghi's comments yesterday in the post-MPC press conference provided some respite to **CESEE currencies** and **government bonds** yesterday.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In spite of lower oil prices and renewed financial market jitters since the beginning of this year, the ECB stayed put on interest rates at its monetary policy meeting yesterday, in line with market expectation, after launching a new round of easing measures just a month earlier. At the press conference that followed, President Mario Draghi adopted a more dovish than expected tone dropping clear hints for further monetary policy easing at the next meeting in March when the ECB will publish its updated macroeconomic projections. He stressed that downside risks on the euro area growth outlook have increased materially since the December meeting amid heightened uncertainty about emerging market economies' growth prospects, geopolitical risks and volatility in financial and commodity markets. In addition, he emphasized that the outlook for inflation has deteriorated significantly following the renewed fall in oil prices and the EUR's appreciation on a trade-weighted basis. He made clear that the ECB has "power, willingness and determination" to do whatever is needed to pursue its price stability mandate and revealed that all members of the Executive Board unanimously agreed that the monetary policy stance would be reviewed and possibly reconsider at the March meeting. Reacting to the ECB President's more dovish than expected tone, German government bonds extended recent gains with the 2-yr bond yield hovering in European trade close to yesterday's fresh record closing low of 0.447%. European equity markets were firmer in early trade on Friday while in FX markets the EUR came under pressure. The EUR/USD was standing close to 1.0840/45 at the time of writing, not far from yesterday's multi-session low of 1.0777 after testing levels near 1.1000 earlier this week. Despite the latest downward move, the EUR/USD remained trapped within the 1.0550-1.1050 trading range we have witnessed over the last few weeks amid lingering concerns about the pace of the Fed's rate tightening ahead.

ppetropoulou@eurobank.gr

GREECE

In a statement issued yesterday after a meeting between IMF Managing Director Christine Lagarde and Greece's Prime Minister Alexis Tsipras on the sidelines of the World Economic Forum in Davos, the Fund said that it "stands ready to continue to support Greece in achieving robust economic growth and sustainable public finances through a credible and comprehensive medium-term economic program". The IMF also stressed once more the importance of a deep social security pension overhaul adding that "significant" debt relief should be granted to ensure Greece's public debt sustainability. In other news, the Hellenic Republic Asset Development Fund accepted Cosco Group's improved offer for the 67% stake of the Piraeus Port Authority after the company submitted an improved offer of €386.5mn earlier this week. According to data published yesterday by the Bank of Greece, the balance of travel services in November 2015 recorded a surplus of €75 million, up 84.3% compared to November 2014. This positive development is attributable mainly to an increase of 22.6% in average expenditure per trip which offset a decrease in arrivals by 4%.

ppetropoulou@eurobank.gr
andimitriadou@eurobank.gr

| 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

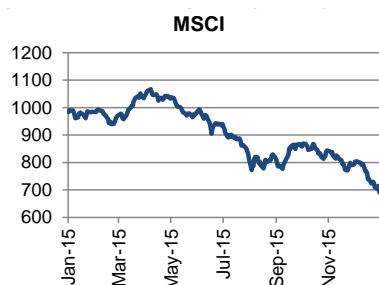
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| ROMANIA: Indicator: | 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

The finance ministry sold at an auction on Thursday RON 220mn (~€48.6mn) of 2027 T-Bonds at an average accepted yield of 4.02%, below 4.21% achieved at a prior tender of the same paper in November 2015. The amount allotted was slightly more than initial plans of RON 200mn (~€44.2mn). The issue expires on July 26, 2027 and bears a coupon of 5.8%. Meanwhile, the tender's bid to cover ratio came in at 1.87 yesterday.

SERBIA

The Public Debt Administration sold at an auction on Thursday €115.12mn of 3-year EUR-denominated T-bonds at an average accepted yield of 3.4%. The latter stood slightly below a yield of 3.5% achieved on December 24th when paper of similar maturity was last sold, while the amount allotted fell short of the €150mn initially planned. The bid to cover ratio stood at 1 as all bids were accepted. The issue matures on January 25, 2019 and bears a coupon of 2.0%. Looking ahead, additional T-bond issuance aimed at plugging budget holes is likely, especially after the failed attempt for the sale of Telekom Srbija in December of last year.

CESEE MARKETS

Emerging stock markets closed broadly lower on Thursday on persisting China-related jitters and lower global oil prices. The MSCI Emerging Markets index closed 0.6% lower, to a new 6 ½-year trough, bringing this week's losses to ca 3.0% and standing approximately 13.0% weaker compared to its level at the end of last year. In a similar vein, bourses in the CESEE region mostly lost ground. Turkey's BIST 100 led the decline with a 1.5% fall. On the other hand, Romania's BETI bucked the negative trend with a 3.3% jump, while Hungary's BUX index trailed behind posting gains to the tune of 0.7%.

European Central Bank President Mario Draghi's comments yesterday in the post-MPC press conference - highlighting that downside risks have increased again and underscoring the ECB's willingness to act with further monetary easing if needed - provided some respite to **CESEE currencies** and **government bonds** yesterday.

In the FX markets, the Turkish lira outperformed its regional peers sliding towards a multi-session trough of 3.0091 intraday on Thursday, from a 4-month peak of 3.0620 hit in the prior session amid deteriorating risk sentiment. The Polish zloty also recovered ground intraday, with the EUR/PLN ending relatively flat yesterday near 4.4720, though remaining within distance from a 4-year peak of 4.5113 hit earlier on Thursday amid mounting concerns over the country's macroeconomic fundamentals. Despite the said timid recovery, the currency remains ca 4% weaker year to date amid escalating worries over the recently elected government's policies, such as planned increases in spending and recently passed in parliament legislation that is feared may be undermining the independence of key institutions in the country. These developments prompted a 1-notch downgrade on Poland's sovereign credit ratings by S&P last week. In this context, Fitch followed suit to warn yesterday that it would cut Poland's "A-" sovereign credit rating if government-backed plans envisioning the conversion of CHF-denominated mortgages into zlotys proves to significantly impact the domestic banking sector, also cautioning on the recent changes in the country's constitutional court and public media.

gphoka@eurobank.gr

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 | 1868.99 | 0.5% | -8.6% | EUR/USD | 1.0856 | -0.2% | 0.0% | UST - 10yr | 2.06 | 3 | -21 | GOLD | 1095 | -0.5% | 3.2% |
| . | 16958.53 | 5.9% | -10.9% | GBP/USD | 1.4281 | 0.4% | -3.1% | Bund-10yr | 0.49 | 3 | -14 | BRENT CRUDE | 31 | 5.8% | -17.0% |
| STOXX 600 | 335.54 | 2.1% | -8.3% | USD/JPY | 118.28 | -0.5% | 1.5% | JGB - 10yr | 0.24 | 1 | -3 | LMEX | 2098 | 1.6% | -4.8% |

CESEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 290 | -2 | -13 |
| 1-week | 3.01 | -1 | -18 |
| 1-month | 3.24 | -1 | -27 |
| 3-month | 3.45 | 0 | -38 |
| 6-month | 3.65 | -1 | -38 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.58 | -2 | -9 |
| 5Y RSD | 5.11 | 0 | -2 |
| 7Y RSD | 7.84 | 0 | 15 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 3.19 | -3 | 3 |
| USD Nov-24 | 6.42 | 0 | 1 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 288 | 18 | 14 |
| 10-year | 334 | 16 | -5 |

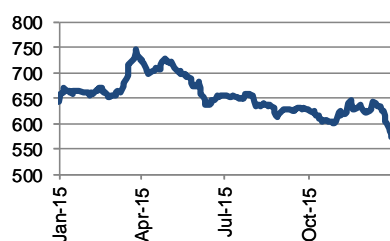
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|---------|
| BELEX15 | 577.5 | 0.57% | -10.34% |

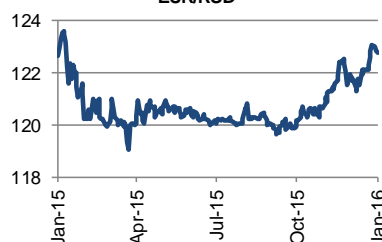
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RSD | 122.72 | 0.09% | -0.93% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.37 | 1 | -16 |
| 1-month | 0.56 | 0 | -13 |
| 3-month | 0.92 | 1 | -10 |
| 6-month | 1.26 | 0 | -8 |
| 12-month | 1.43 | -1 | -9 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 1.72 | 0 | -21 |
| 5Y RON | 2.56 | -1 | -24 |
| 10Y RON | 3.53 | -1 | -25 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 2.59 | 0 | 2 |
| USD Jan-24 | 3.67 | -4 | -11 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 130 | -4 | -3 |
| 10-year | 167 | -4 | -5 |

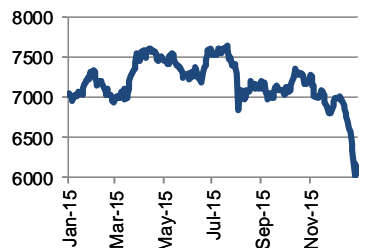
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|--------|
| BET | 6345.3 | 1.28% | -9.41% |

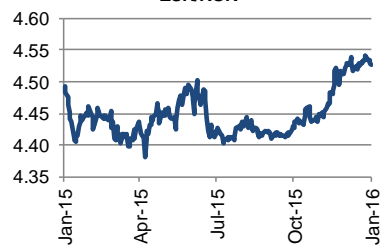
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RON | 4.5281 | 0.03% | -0.31% |

BET Index



EUR/RON



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | -0.09 | 0 | -10 |
| 1-month | -0.03 | -2 | -19 |
| 3-month | 0.09 | -1 | -17 |
| 6-month | 0.32 | -1 | -21 |
| 12-month | 0.79 | 0 | -18 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| 3Y BGN | -0.02 | 17 | -11 |
| 5Y BGN | 0.24 | 1 | -13 |
| 10Y BGN | 1.83 | 0 | -2 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.11 | 0 | 4 |
| EUR Sep-24 | 2.38 | 52 | -4 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 175 | -3 | 3 |
| 10-year | 218 | -3 | 1 |

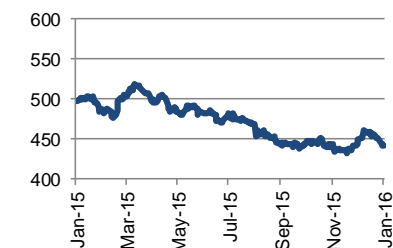
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|--------|
| SOFIX | 442.0 | 0.04% | -4.11% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.8017 | -0.16% | -0.08% |

SOFIX Index



USD/BGN



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

Data updated as of 11:10 EET of previous session

Contributors

Paraskevi Petropoulou
G10 Markets 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

Stylianios G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@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
pmonokroussos@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

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

Olga Kosma: Economic Analyst
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

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

