



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, December 21, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec 21: Existing home sales (Nov)
- Dec 22
 - GDP (Q3, 3rd est.)
 - Initial claims (weekly)
 - Durable goods orders (Nov)
 - Personal income / spending (Nov)
 - Core PCE deflator (Nov)
- Dec 23
 - UoM consumer sentiment (Dec)
 - New home sales (Nov)

EUROZONE

- Dec 19: German ifo business climate (Dec)
- Dec 23: German Gfk consumer confidence (Jan)

GREECE

- Dec 21: Current account balance (Oct)

SEE

BULGARIA

- Dec 19: Reformer's bloc to announce if it won GERB support
- Dec 23: Gross external debt (Oct)

ROMANIA

- Dec 19: New parliament to take office

SERBIA

- Dec 20: Current account balance (Oct)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from a firmer close in Wall Street overnight, the majority of Asian stock markets ended higher on Wednesday. A further rise in global oil prices and a US dollar retreat from yesterday's highs also favoured. The positive momentum witnessed in US and Asian bourses faded in European stock markets on profit taking and worries over the banking sector's prospects. The USD pulled back from yesterday's highs, with the DXY index trading at 103.20 at the time of writing, though not too far from an intraday 14-year peak of 103.65 achieved on Tuesday in the wake of Fed Chair Janet Yellen's hawkish comments on the US labor market earlier this week.

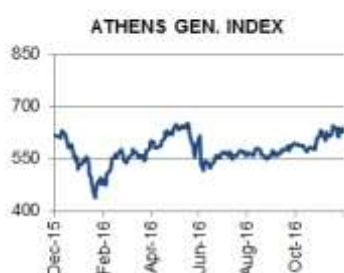
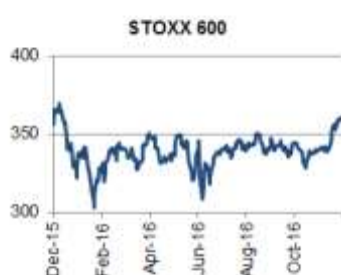
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded water earlier on Wednesday, in thin trade in view of the festive season. Nonetheless, the rise in oil prices provided support to energy-related shares, while a somewhat weaker US dollar also favored. In other news, the leftist PSD leader announced earlier today former development minister Sevil Shhaideh as the party's candidate for Romania's new Prime Minister. Meanwhile, Hungary's Central Bank kept y-day unchanged its key base rate at the current record low level of 0.9%, as was expected, rendering further unconventional monetary easing. Separately, Turkey's Central Bank confounded market expectations for a 25bps hike on the overnight lending rate, leaving all three main interest rates stable on Tuesday. In Bulgaria, the prospect of early general elections next spring is becoming more likely after talks to form a new government failed.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Taking their cue from a firmer close in Wall Street overnight, the majority of Asian stock markets ended higher on Wednesday. A further rise in global oil prices and a US dollar retreat from yesterday's highs also favoured. In more detail, the Dow Jones and Nasdaq Composite indices reached record highs on Tuesday amid expectations that president-elect Trump's fiscal loosening plans will boost growth in the world's largest economy.

This prevailing view has recently also boosted the US dollar and pushed Treasury yields higher on expectations for rising inflationary pressures and a more aggressive than previously expected monetary policy tightening path ahead by the Fed. The USD pulled back from yesterday's highs, with the DXY index, which measures the greenback against a basket of major currencies, trading at 103.20 at the time of writing, though not too far from a 14-year peak of 103.65 achieved intraday on Tuesday in the wake of Fed Chair Janet Yellen's hawkish comments on the US labor market earlier this week. Against this backdrop, the EUR/USD hovered around levels of 1.0426/31 in European trade today, having bounced from a 14-year trough of 1.0350 hit at some point yesterday.

Separately, the price of WTI crude oil futures contracts for February settlement rose near a multi-session high of \$53.80 bbl intraday on Wednesday after data showed an unexpected decline in US inventories last week. The positive momentum witnessed in US and Asian bourses faded in European stock markets earlier on Wednesday on profit taking and worries over the banking sector's prospects. Lingering concerns over the health of the Italian banking sector continued to weigh, while shares of Spanish banks also fell after a ruling by the European Court of Justice which overturned a Spanish court's decision that limited the banks' liabilities on a disputed clause on home loans, the so-called "mortgage floors".

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December 21, 2016

BULGARIA: Indicators	2015	2016f	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	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016f	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

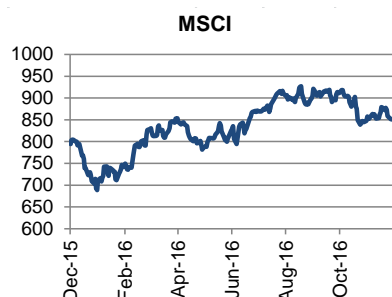
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016f	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	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016f	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	123.50	125.5
	2015	current	2016f
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

EM assets treaded water earlier on Wednesday, in thin trade in view of the festive season. Nonetheless, the rise in oil prices provided support to energy-related shares, while a somewhat weaker US dollar also favored. In this context, the MSCI Emerging Markets stocks index stood 0.3% lower in European trade today compared y-day's settlement. Russian equity led the way higher and heavyweight indices in Taiwan and South Korea underperformed.

Bourses in the CESEE region were broadly in the black, with main indices in Serbia, Bulgaria, Ukraine and Poland marking gains to the tune of ca. 0.3-0.4% each. Romania's main BET index bucked the positive trend, marking modest losses at the time of writing, in a possible reflection of recently increased domestic political woes. The Social Democratic party won by a comfortably majority the December 11th general elections. However, worries have escalated of late for fiscal slippages in 2017 and 2018. The leftist PSD party announced earlier today former development minister Sevil Shhaideh as its candidate for Prime Minister. Party leader Liviu Dragnea expressed optimism that the PM nominee will be accepted so that the new government takes office imminently and the budget for 2017 is approved by January 15. The President had recently signaled he would not accept the party's leader Liviu Dragnea as the new Prime Minister, citing his recent suspended sentence earlier this year on allegations for manipulating a 2012 referendum on the impeachment of previous President Traian Basescu. The PM-nominee is a close ally to PSD leader Dragnea. She has to be approved by the President and then secure a vote of confidence in Parliament. President Iohannis is expected to announce a Prime Minister designate by Friday.

In FX markets, the Polish zloty retained a firm tone earlier on Wednesday ahead of a news conference (9.00GMT) by senior ruling party Law and Justice (PiS) officials, where PiS leader Jaroslaw Kaczynski, Prime Minister Beata Szydlo and parliament speakers are expected to address a political crisis over the rule of law in the country. The EUR/PLN hovered in European trade today near a 1-month low of 4.3998 hit overnight. Separately, the Turkish lira regained some ground earlier on Wednesday, despite weaker than anticipated consumer confidence data for December, linger domestic political worries and concerns over the country's economic growth prospects. The USD/TRY stood near 3.5165 in European trade today, remaining though within distance from yesterday's multi-session peak of 3.5410. The Central Bank's decision to stay put on its monetary policy at its meeting yesterday, which confounded market expectations for a 25bps hike on the overnight lending rate, appeared to have a rather limited impact. CBT held all its main interest rates stable on Tuesday, with the o/n borrowing and lending rates at 7.25% and 8.50%, respectively, and the key policy rate at 8.00%.

In other news, Hungary's Central Bank kept unchanged its key base rate at the current record low level of 0.9%, as was expected, rendering further unconventional monetary easing by capping further the amount offered in its 3-month deposit facility to HUF 750bn at the end of March from HUF 900bn set for end-2016. In Bulgaria, the prospect of early general elections next spring is becoming more likely after talks to form a new government failed. Recall that, the leader of the ruling centre-right party Citizens for European Development of Bulgaria (GERB) and Prime Minister Boyko Borisov handed in his government's resignation in Parliament in the wake of the November Presidential elections that saw the defeat of his party's candidate.

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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	2270.76	0.4%	11.1%	EUR/USD	1.043	0.4%	-3.9%	UST - 10yr	2.55	-1	28	GOLD	1136	0.3%	7.0%
Nikkei 225	19444.49	-0.3%	2.2%	GBP/USD	1.2373	0.0%	-16.0%	Bund-10yr	0.26	-1	-37	BRENT CRUDE	56	0.6%	49.4%
STOXX 600	360.03	-0.4%	-1.6%	USD/JPY	117.11	0.6%	2.5%	JGB - 10yr	0.06	-1	-20	LMEX	2693	0.3%	22.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-4
1-week	3.16	5	-3
1-month	3.34	4	-17
3-month	3.46	3	-37
6-month	3.66	5	-37

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	-1	-33
5Y RSD	5.36	0	-175
7Y RSD	5.66	#N/A N/A	-12

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.37	-7	-79
USD Nov-24	6.47	2	5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	255	0	-84

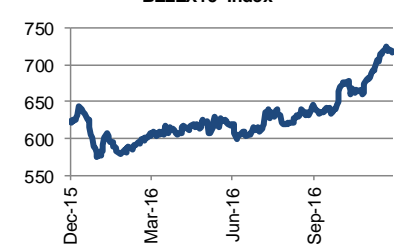
STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.0	0.15%	11.47%

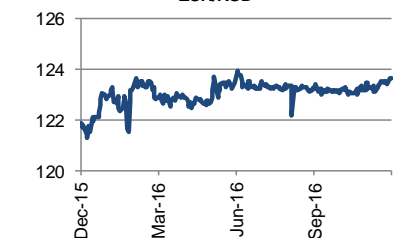
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.65	-0.01%	-1.67%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	-2	-7
1-month	0.71	3	2
3-month	0.83	1	-19
6-month	1.09	1	-25
12-month	1.22	0	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	1	-34
5Y RON	2.49	-1	-31
10Y RON	3.65	0	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.25	0	-31
USD Jan-24	3.95	-4	17

CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	0	-21
10-year	156	1	-16

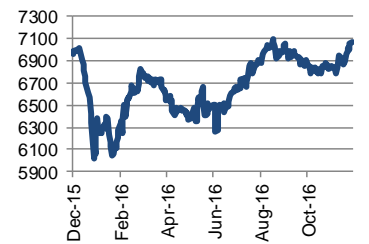
STOCKS

	Last	ΔD	ΔYTD
BET	7008.6	-0.19%	0.06%

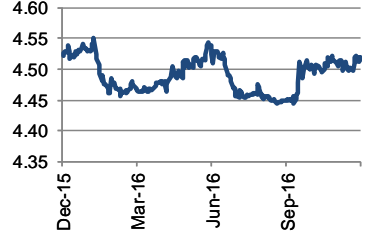
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5194	-0.10%	-0.12%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	-0.17	0	-33
3-month	-0.07	0	-33
6-month	0.08	0	-45
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	1	-40
5Y BGN	0.61	5	-66
10Y BGN	1.97	0	-69

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.34	0	-41
EUR Sep-24	1.66	6	-77

CDS

	Last	ΔDbps	ΔYTD bps
5-year	153	-1	-18
10-year	186	0	-30

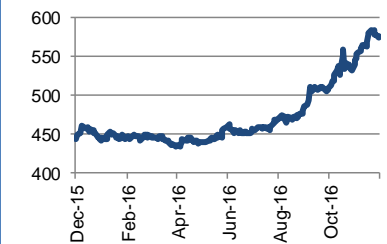
STOCKS

	Last	ΔD	ΔYTD
SOFIX	575.2	0.31%	24.81%

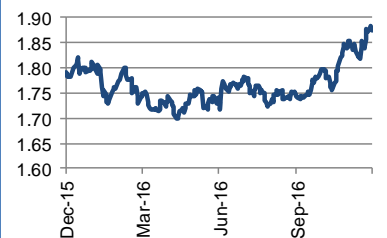
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8754	0.41%	-4.00%

SOFIX Index



USD/BGN



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

Data updated as of 14:35 EET

December 21, 2016

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