



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 15, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 14: Fed Chair Yellen delivers semi-annual testimony to the Senate Banking Panel
- Feb 15
 - Empire State Index (Feb)
 - CPI (Jan)
 - Retail sales (Jan)
 - Industrial production (Jan)
 - NAHB Index (Feb)
 - Fed Chair Yellen delivers semi-annual testimony to Congress' House Financial Services Committee
- Feb 16
 - Housing starts (Jan)
 - Housing permits (Jan)
 - Initial claims (weekly)
 - Philly Fed (Feb)

EUROZONE

- Feb 14: GDP (p, Q4 2016)
- Feb 16: ECB Jan 19 minutes

GREECE

- Feb 14: GDP (A, Q4 2016)
- Feb 15: HICP/CPI (Jan)

SEE

BULGARIA

- Feb 14: GDP (p, Q4 2016)
- Feb 15
 - CPI (Jan)
 - U/E rate (Jan)
- Feb 13: Current account balance (Dec)

ROMANIA

- Feb 13: Current account deficit (Dec)
- Feb 14
 - GDP (A, Q4 2016)
 - NBR meeting minutes
- Feb 15: CPI (Jan)
- Feb 16: 3.25% 2024 T-bonds auction

SERBIA

- Feb 13: 3.50% 2019 T-bonds auction
- Feb 14
 - 1.00% 2019 T-Bonds auction
 - MPC meeting announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: At the semi-annual testimony before the Senate Banking Committee on Tuesday, Fed's Chair Janet Yellen adopted a tone similar to the January FOMC policy statement citing that, should both employment and inflation evolve in line with the Central Bank's expectations, "a further adjustment of the federal funds rate" would probably be needed in upcoming monetary policy meetings. In reaction to the Fed Chair's less dovish than expected comments, US Treasuries weakened and the USD firmed across the board. Looking at the day ahead, market focus is on UK labour and US inflation data. Fed Chair Yellen will re-deliver her testimony to the House Financial Services Committee but it should not deviate much from her speech to the Senate Banking Committee.

GREECE: The European Commissioner for Economic and Financial Affairs Pierre Moscovici, is in Athens today where he is scheduled to meet the Greek PM and FinMin with the aim to promote an agreement between Greece and its official lenders with a view to complete the 2nd programme as soon as possible. The Hellenic Statistical Authority published yesterday the quarterly national accounts flash estimates for Q4 2016 according to which real GDP in Greece contracted on a quarterly basis by -0.4% in Q4 2016. The Q3 2016 reading was upwards revised to +0.9% from +0.8%. On an annual basis, real GDP grew by +0.3% from +2.2% in Q3 2016 (revised by +0.4ppts). Based on the above, the 2016 full year real GDP growth rate stood at +0.3% (in line with EC Winter Forecasts, February 2017) from -0.2% in 2015 and +0.4% in 2014.

SOUTH EASTERN EUROPE

BULGARIA: Growth remained on track in Q4-2016, bringing the FY2016 at 3.4% an inch down from 3.6% in FY2015.

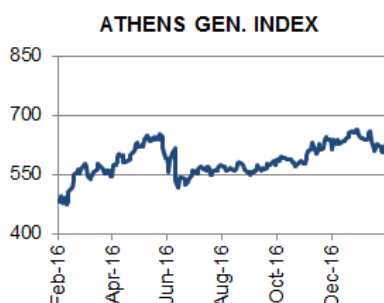
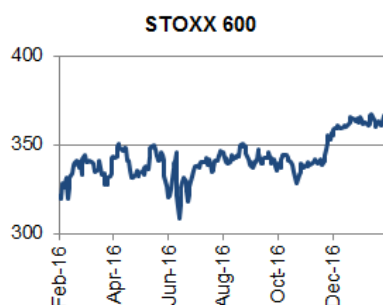
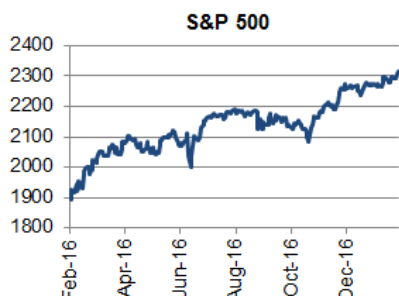
SERBIA: In line with market expectations, the National Bank of Serbia (NBS) stayed put on its monetary policy, keeping the benchmark rate at the current record low level of 4.00% for the 7th month running.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

At the semi-annual testimony before the Senate Banking Committee on Tuesday, Fed's Chair Janet Yellen adopted a tone similar to the January FOMC policy statement citing that, should both employment and inflation evolve in line with the Central Bank's expectations, "a further adjustment of the federal funds rate" would probably be needed in upcoming monetary policy meetings. She noted that the pace of wage growth has picked up relative to that recorded a few years ago and inflation has moved higher over the past year expressing though caution over the potential impact of economic policies under Present Donald Trump's administration on the domestic economy. In reaction to the Fed Chair's less dovish than expected comments, US Treasuries weakened with the 5-yr yield standing close to 1.97% in European trade, the highest in more than two weeks and some 5.5bps higher compared to levels earlier this week. In spite of political jitters ahead of a heavy euro area electoral season and a downward revised euro area Q4 GDP growth rate to 0.4%QoQ from 0.5%QoQ previously, German Bunds followed suit. The 10-yr yield was hovering around 0.37% at the time of writing, not far from Tuesday's multi-week intraday peak of 0.38% after marking a one-month low of 0.29% last week. In FX markets, the USD firmed with the DXY index standing close to 101.350, within distance from Tuesday's 3 1/2 -week intraday high of 101.380. Against this background, the EUR/USD extended recent losses marking a five-month low of 1.0550 earlier today after breaking a string of technically important levels over the last couple of sessions. Weighed down by a broadly firmer USD, the GBP/USD retreated to levels around 1.2450/60 in European trade while UK data showing that January's CPI rose to a lower than expected 1.8%YoY also had an impact. Market focus today is on UK labour and US inflation data. Fed Chair Yellen will re-deliver her testimony to the House Financial Services Committee but it should not deviate much from yesterday's speech.

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GREECE

The European Commissioner for Economic and Financial Affairs Pierre Moscovici, is in Athens today where he is scheduled to meet the Greek PM and FinMin with the aim to promote an agreement between Greece and its official lenders with a view to complete the 2nd programme as soon as possible. Coming to the meeting, Mr. Moscovici said that an agreement is close but more work needs to be done. Meanwhile, the Greek government's spokesman Dimitris Tzanakopoulos stated yesterday that the Greek side does not intend to accept not one more euro of austerity measures requesting that the IMF takes into consideration the new fiscal reality of Greece and that the German FinMin backs out of its request for keeping the primary surplus target at 3.5%-of-GDP for ten years after 2018. Other members of the Greek government insist for a swift conclusion of the review. The Vice President Yannis Dragasakis called all sides to assume their responsibilities stressing that there must be a deal on February 20, either a timeframe for a deal at a foreseeable future and adding that a deal should not coincide with the upcoming elections in euro area countries. On the same wavelength, Alternate FinMin Geroge Houliarakis had claimed last week that a deal now would be preferable than a slightly better deal in five months' time. On the data front, the Hellenic Statistical Authority published yesterday the quarterly national accounts flash estimates for Q4 2016 according to which real GDP in Greece contracted on a quarterly basis by -0.4% in Q4 2016. The Q3 2016 reading was upwards revised to +0.9% from +0.8%. On an annual basis, real GDP grew by +0.3% from +2.2% in Q3 2016 (revised by +0.4ppts). Based on the above, the 2016 full year real GDP growth rate stood at +0.3% (in line with EC Winter Forecasts, February 2017) from -0.2% in 2015 and +0.4% in 2014.

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February 15, 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

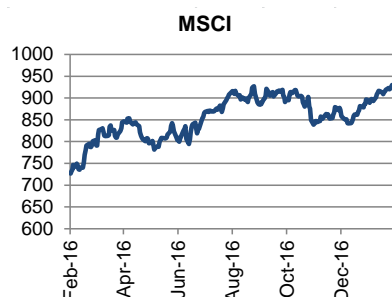
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

According to the flash estimate, real GDP expanded by +0.9% QoQ/+3.1% YoY in Q4 compared to +0.7% QoQ/+3.4% YoY in Q3 vs. +0.9% QoQ/+3.8% YoY in Q4-2015. As usual, there will be another estimate of the national accounts data published at a later stage and there will most probably be huge revisions and reallocations within the individual growth drivers' components. Despite negative base effects and the fiscal drag, final consumption expanded by +1.3% QoQ/+0.9% YoY in Q4 up from +0.2% QoQ/+0.2% YoY in Q3 vs. +0.7% QoQ/+5.9% YoY in Q4-2015. Sustained labor market improvement coupled with real positive wage growth (9.4% YoY in 2016 vs. 9.9% YoY in 2015) supported consumption recovery throughout 2016. The unemployment rate declined further to 7.1% in 2016 vs. 9.2% in 2015 as the economy adds new jobs in the areas of specialized services. On top, investments were in red for the third consecutive quarter in Q4 (GFCF: +1.2% QoQ/-1.5% YoY in Q4 vs. -0.9% QoQ/-1.8% YoY in Q3). The decline mirrors negative base effects as a result of an increased EU funds absorption in the past year ahead of the closing of the programming period 2007-2013. Finally, net exports seem to recover further after a poor reading in the 1H (Exports: +9.3% YoY in 2H vs. +3.0% YoY in Q3 & Imports: +7.7% in 1H vs. +1.8% YoY) - and will most probably put an additional positive boost on growth in 2016 as well. Bulgaria is expected to register a second consecutive year of strong - above potential - growth in 2017. Private consumption dynamics are broadly set to remain strong as the economy benefits from an improving labor market, rising wages, a vibrant export-oriented manufacturing sector and an emerging tourism destination. Although the economy has proved relatively resilient to multiple past internal and external shocks, there is a high degree of uncertainty how it would react to a prolonged period of domestic political uncertainty.

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SERBIA

In line with market expectations, the National Bank of Serbia (NBS) stayed put on its monetary policy, keeping the benchmark rate at the current record low level of 4.00% for the 7th month running and maintaining its cautious stance. Behind its decision, NBS cited the effects of past monetary easing and its inflation projection ahead. It is worth recalling that, the MPC delivered in July last year the latest cut under the current monetary easing cycle, which started in May 2013. Since then, the amount of cumulative rate easing rendered totals 775bps, with the cycle appearing to have already reached a trough. Supporting the Central Bank's said monetary policy accommodation, inflation pressures have remained subdued over the last three years. Headline CPI (at 1.6%YoY in December) has remained firmly below the 2.5-5.5% target band since early 2014 thanks to previously low global commodity prices, a restrictive fiscal policy and a negative output gap. However, it is anticipated to return within the new official tolerance band of 1.5-4.5% early this year as global oil prices rise further, aggregate demand recovers and inflation rises internationally. At the same time uncertainties lie ahead, both in the domestic as well as the international environment constraining the prospect for further rate easing. Namely, the monetary policy paths that will be pursued by leading Central Banks, which affect global capital flows, and the looming presidential election in Serbia this spring may prove sources of heightened volatility in Serbian markets. On the flipside, the Monetary Policy Council noted in the accompanying statement that low food production costs are expected to continue exerting a disinflationary impact for some time. All in all, the aforementioned risks in tandem expectations that inflation will rise but remain within the target tolerance band this year argue in favor of stable interest rates in 2017. During yesterday's meeting the Executive Board also adopted the February Inflation Report, which will be publically released on February 22nd.

February 15, 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	2337.58	0.4%	4.4%	EUR/USD	1.0562	-0.2%	0.4%	UST - 10yr	2.47	0	3	GOLD	1227	-0.1%	6.5%
Nikkei 225	19437.98	1.0%	1.7%	GBP/USD	1.246	-0.1%	0.8%	Bund-10yr	0.37	0	16	BRENT CRUDE	56	-0.3%	-1.8%
STOXX 600	371.53	0.4%	2.8%	USD/JPY	114.45	-0.2%	2.2%	JGB - 10yr	0.09	-1	5	LMEX	2904	-0.7%	9.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	294	1	-6
1-week	3.05	4	-12
1-month	3.33	1	-2
3-month	3.46	4	-1
6-month	3.69	9	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	0
5Y RSD	5.46	0	11
7Y RSD	5.79	1	11

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.09	-2	-23
USD Nov-24	6.47	0	6

CDS

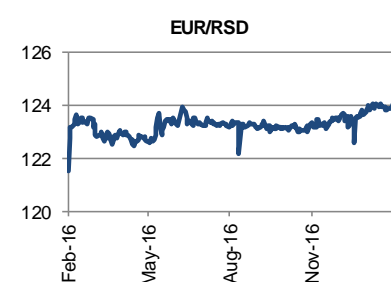
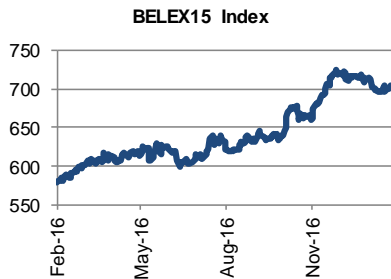
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	248	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	708.8	0.75%	-1.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	124.02	-0.25%	-0.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	0	-11
1-month	0.62	0	-14
3-month	0.81	0	-9
6-month	1.04	0	-7
12-month	1.22	0	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	1	3
5Y RON	2.62	0	10
10Y RON	3.61	2	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.08	0	-5
USD Jan-24	3.62	-1	-23

CDS

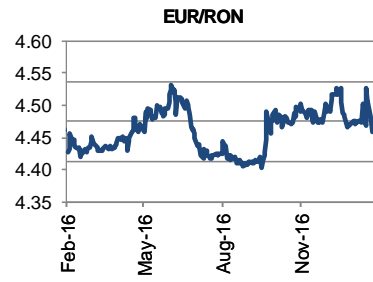
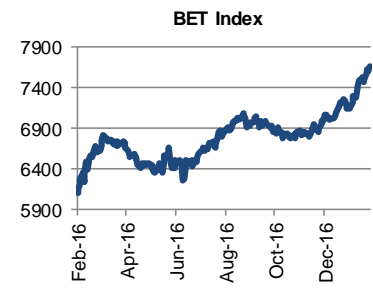
	Last	ΔDbps	ΔYTD bps
5-year	98	-1	-12
10-year	140	-3	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7650.5	0.54%	7.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5053	0.00%	0.75%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-8
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.06	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	1	-5
5Y BGN	0.41	-2	-9
10Y BGN	1.73	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.61	0	-28
EUR Sep-24	1.65	-11	-3

CDS

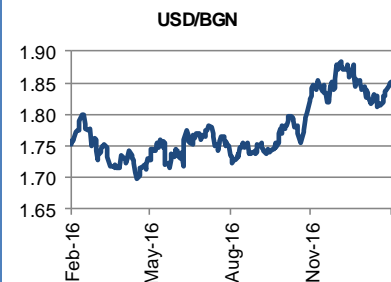
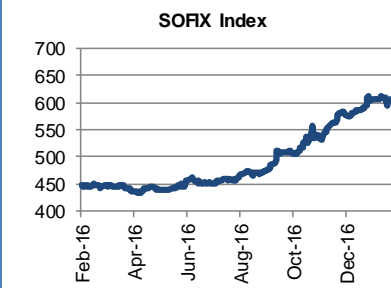
	Last	ΔDbps	ΔYTD bps
5-year	115	-1	-37
10-year	156	-1	-38

STOCKS

	Last	ΔD	ΔYTD
SOFIX	599.2	-0.26%	2.17%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8519	-0.15%	0.35%



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

Data updated as of 10:50 EET

February 15, 2017

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