



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, February 24, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 20: Presidents Day Holiday
- Feb 22
 - Existing home sales (Jan)
 - FOMC meeting minutes
- Feb 23
 - Initial jobless claims (weekly)
- Feb 24
 - New home sales (Jan)
 - UoM consumer sentiment (Feb, f)

EUROZONE

- Feb 20: Consumer confidence (Feb)
- Feb 21: PMI manufacturing & services (Feb)
- Feb 22
 - DE: Ifo (Feb)
 - HICP (Jan, f)
- Feb 23
 - DE: GDP (Q4)
 - HICP (Jan, f)

GREECE

- Feb 20
 - Eurogroup
 - Current account deficit (Dec)
- Feb 24: Credit rating review by Moody's & Fitch

CYPRUS

- Feb 21: HICP (Jan)

SEE

BULGARIA

- Feb 20: 0.3% 2021 T-bonds auction

ROMANIA

- Feb 23: 5.8% 2027 T-bonds auction

SERBIA

- Feb 21: 2.50% 2022 T-bonds auction
- Feb 23
 - 5.75% 2023 T-bonds auction
 - HICP (Jan)
- Feb 24
 - Gross wages (Jan)
 - PPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries retained a firm tone on Friday supported by lingering market uncertainty about the timing Donald Trump's administration will enact the planned comprehensive tax reform and its potential impact on the domestic economy. Uncertainty regarding the timing of the next Fed rate hike and the pace of rate tightening ahead, also has an impact. Supported by mounting euro area political jitters, German Bunds were also firmer in European trade, continuing to shrug off a bulk of positive euro area macro data released over the last few weeks. In FX markets, the USD remained under pressure.

GREECE: The Greek PM Alexis Tsipras briefed the Parliament today on the latest developments of the 2nd programme review and the outcome of the 20 February Eurogroup. He emphasized the importance of a framework agreement at the latest Eurogroup, which allowed the return of the technical staff to Athens and the acknowledgment by the institutions that there needs to be a policy shift away from austerity and towards growth enhancing reforms. He reiterated the view that the final mix of measures – i.e. both those proposed by the institutions and the Greek government – will have zero fiscal impact, explaining that for every one euro of burdensome measures equivalent offsetting measures will be adopted.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries retained a firm tone in European trade supported by lingering market uncertainty about the timing Donald Trump's administration will enact the planned comprehensive tax reform and its potential impact on the domestic economy. Uncertainty regarding the timing of the next Fed rate hike and the pace of rate tightening ahead, also has an impact. In his first televised interview since taking office last week, US Treasury Secretary Steven Mnuchin said that he expects limited impact from Trump administration's policies on the domestic economy in 2017. He added that he would like to see tax reforms approved by Congress before the August recess acknowledging though that such a timeline is "very aggressive". The above comments followed the release of the January 31/February 1 FOMC monetary policy minutes earlier this week which suggested that, even though the majority of policymakers share the view that a gradual rate tightening path is likely to be appropriate, there were no signals pointing to a rate move as early as the next meeting in March. Against this background, the 10-yr US Treasury yield fell to a two-week low of 2.38% in European trade while the 2-yr yield was yielding levels slightly below 1.19% for the first time since February 10. In FX markets, the USD remained under pressure with the DXY index trading 0.2% lower on a daily basis and 0.4% weaker compared to last week's multi-session highs. Today's data calendar includes the US's February consumer sentiment index and US new home sales for January which are both expected to improve. However, with market participants awaiting the February's non-farm payrolls report due in a couple of weeks, any positive surprise is unlikely to exert a material impact on the exchange rate. Supported by mounting euro area political jitters, German Bunds were also firmer in European trade. The 2-yr yield recorded a fresh record low of -0.96% earlier today and the 10-yr yield was hovering around 0.20%, the lowest since early January with the corresponding spread undertaking some bullish steepening.

ppetropoulou@eurobank.gr

GREECE

The Greek PM Alexis Tsipras briefed the Parliament today on the latest developments of the 2nd programme review and the outcome of the 20 February Eurogroup. He emphasized the importance of a framework agreement at the latest Eurogroup, which allowed the return of the technical staff to Athens and the acknowledgment by the institutions that there needs to be a policy shift away from austerity and towards growth enhancing reforms. He also complimented the Finance Minister and Alternate Finance Minister as well as the rest of the Greek negotiating team for the positive results. He reiterated the view that the final mix of measures – i.e. both those proposed by the institutions and the Greek government – will have zero fiscal impact, explaining that for every one euro of burdensome measures equivalent offsetting measures will be adopted. Additionally, he stated that both sets of measures will be pre-legislated now and adopted as of 1 January 2019, with neither set being subject to any conditionality, repeating that the Constitution of Greece does not allow for the legislation of conditional provisions. The Greek PM also expressed his satisfaction about the prospect of re-aligning the Greek labour regulatory framework with that of the EU. On the latter, it should however be noted that according to press reports, EC President Jean-Claude Juncker stated that the European Court has confirmed that bailout programmes are implemented by the European Stability Mechanism and are outside the EU's legal order. This came in response to a request by two MEPs for the restoration of collective agreements in Greece. Meanwhile, the role of the IMF in the Greek Economic Adjustment Programme lies at the centre of latest developments with deliberations taking place between various involved parties. In the past few days the IMF Managing Director Christine Lagarde had separate discussions with Greek PM Alexis Tsipras, the US Treasury Secretary Steven Mnuchin and the German Chancellor Angela Merkel. Additionally, the IMF Director of Communication Gerry Rice reiterated that there is no change in the long-standing approach of the Fund on the issue about reforms and debt relief.

February 24, 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	2363.81	0.0%	5.6%	EUR/USD	1.0581	0.0%	0.6%	UST - 10yr	2.37	0	-7	GOLD	1255	0.4%	8.9%
Nikkei 225	19283.54	-0.5%	0.9%	GBP/USD	1.2529	-0.2%	1.4%	Bund-10yr	0.21	-2	0	BRENT CRUDE	56	-0.8%	-1.2%
STOXX 600	372.13	-0.2%	3.0%	USD/JPY	112.53	0.1%	4.0%	JGB - 10yr	0.07	-2	2	LMEX	2827	-2.4%	6.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	0	0
1-week	3.11	1	-6
1-month	3.36	2	1
3-month	3.56	1	9
6-month	3.72	2	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	10
7Y RSD	5.71	0	7

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.05	0	-27
USD Nov-24	6.50	0	8

CDS

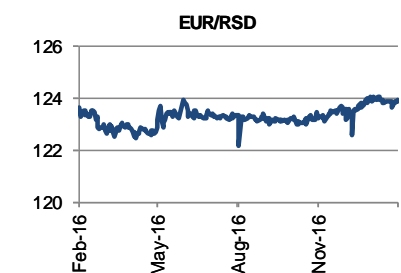
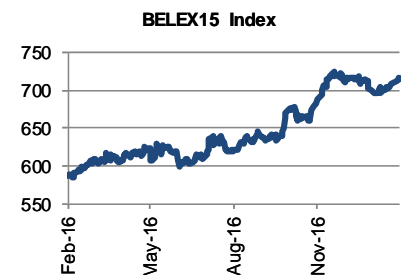
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	248	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.2	0.42%	0.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.92	-0.01%	-0.37%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	5	-9
1-month	0.62	-1	-14
3-month	0.83	0	-7
6-month	1.05	0	-6
12-month	1.24	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	0	4
5Y RON	2.63	0	11
10Y RON	3.66	0	1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.07	-2	-7
USD Jan-24	3.51	-2	-34

CDS

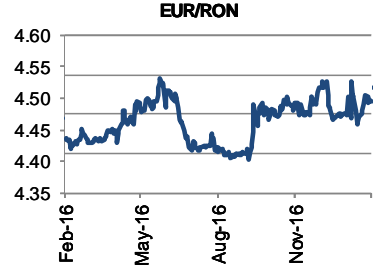
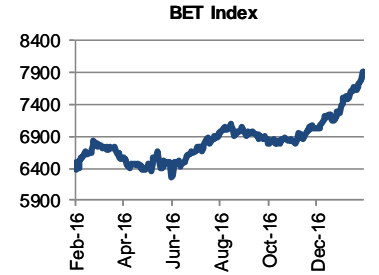
	Last	ΔDbps	ΔYTD bps
5-year	95	1	-14
10-year	138	1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	8021.3	-0.30%	13.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.517	0.04%	0.49%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-30
1-month	-0.16	0	0
3-month	-0.07	0	0
6-month	0.06	0	-2
12-month	0.40	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.03	-5	-12
5Y BGN	0.33	-1	-18
10Y BGN	1.69	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.60	0	-28
EUR Sep-24	1.61	0	-7

CDS

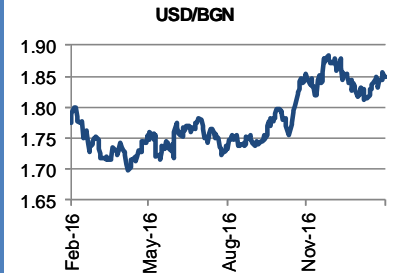
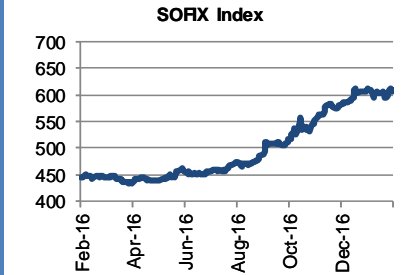
	Last	ΔDbps	ΔYTD bps
5-year	113	-2	-39
10-year	154	-3	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	607.6	0.17%	3.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8487	-0.02%	0.52%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:30 EET

February 24, 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 Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@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 Monokrousos: 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 Stamatou: Senior Economist
tstamatou@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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