



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 07, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 6: Trade balance (Dec)
- Feb 9: Initial claims (weekly)
- Feb 10: UoM consumer sentiment (p, Feb)

EUROZONE

- Feb 8: ECB President Draghi speaks

GREECE

- Feb 9
 - U/E rate (Nov)
 - Industrial Production (Dec)

SEE

BULGARIA

- Feb 8
 - Industrial Production (Dec)
 - Retail sales (Dec)
- Feb 9: Trade balance (Dec)

ROMANIA

- Feb 6: 3.5% 2022 T-Bonds auction
- Feb 7: MPC meeting announcement
- Feb 9
 - Trade balance (Dec)
 - Industrial sales (Dec)
 - Net wages (Dec)
 - 2.25% 2020 T-Bonds auction
- Feb 10: Industrial Production (Dec)

SERBIA

- Feb 7: PPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the negative tone in Wall Street overnight, the majority of European equity markets were lower in early trade on Tuesday as investors are still awaiting details over US President Donald Trump's economic policies. Market anxiety ahead of upcoming presidential elections in a number of core euro area economies, including France, also had an impact. In FX markets, the JPY was among the main outperformers favored by its safe-haven appeal. Elsewhere, oil prices inched higher while gold gave back some of recent gains.

GREECE: The IMF's Executive Board concluded the Article IV consultation with Greece. Debt is deemed unsustainable and there is divergence of opinion among the board members over the primary surplus for 2018 and beyond.

SOUTH EASTERN EUROPE

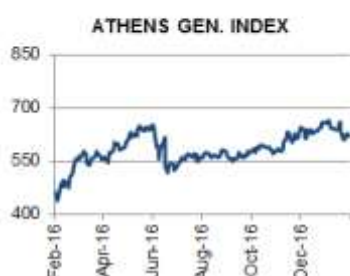
CESEE MARKETS: Most emerging market assets were on the back foot earlier on Tuesday on deteriorating risk appetite. In other news, the Central Bank of Romania kept the key policy rate at the current historic low levels of 1.75% at its monetary policy meeting earlier today, in line with market expectations.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the negative tone in Wall Street overnight, the majority of European equity markets were lower in early trade on Tuesday as investors are still awaiting details over US President Donald Trump's economic policies. Market anxiety ahead of upcoming presidential elections in a number of core euro area economies, including France, also had an impact. A number of opinion polls suggest that the far-right National Front party will finish runner-up by a wide margin in the first round scheduled for April 23rd but will lose in the second round on May 4th, irrespective of her opponent. The leader of the party, Marine Le Pen, launched on Monday the programme for the President election, vowing to regain France's monetary, economic and legislative sovereignty. To this end, if elected, she said she will hold negotiations with EU partners and if they fail, she plans to organise a referendum on France's membership in the EU. In FX markets, the JPY was among the main outperformers favored by its safe-haven appeal. The USD/JPY was standing close to 112.20/25 at the time of writing, not far from a multi-week low of 111.70 marked in the prior session while US President Donald Trump's protectionist stance and his recent comments that gave the impression that the new US administration may be willing to abandon the strong dollar policy, continued to exert a negative impact on the USD. With euro area political jitters taking a front seat, the EUR weakened trading close to 1.0667 against the USD in European trade, having retreated from a multi-session high of 1.0800 marked on Monday. Oil prices inched higher after posting on Monday the biggest one-day loss since mid-January as worries over rising oil supply from the US were more than offset by optimism over an output cut following last year's agreement between OPEC and non-OPEC members. Oil crude was standing close to \$55.64/br in early European trade after falling by nearly 2% in the prior session, remaining within the \$57.50-\$53.50 recent range. Meanwhile, gold gave back some of its recent gains hovering around \$1,229.70 an ounce, 0.5% lower from a three-month peak hit in the prior session.

pptropoulou@eurobank.gr

GREECE

Yesterday, the IMF's Executive Board concluded the Article IV consultation with Greece. The Fund acknowledged the progress made by Greece in unwinding its macroeconomic imbalances since the onset of the crisis and projected that Greece will return to positive real growth of 2.7% in 2017 and that growth will remain significant for the next few years (at 3.1%, 2.8% and 2.4% for 2018, 2019 and 2020 respectively). However, long-run growth is expected less than 1.0% and the primary fiscal surplus is projected at 1.5%. Downside risks include the delayed programme implementation as well as reform fatigue. Public debt was deemed unsustainable. According to the IMF's DSA the debt to GDP ratio will decline at 164% in 2022 but will follow an increasing path thereafter reaching 275% in 2060. The IMF proposed a restructuring of the official loans to Greece that will permit the achievement of debt sustainability. In addition, there was a divergence of opinion among the IMF Board members over the primary surplus targets with some arguing in favor of the 1.5% of GDP primary surplus target for 2018 and beyond while others supported a target of 3.5% of GDP. The supporters of the former view based their argument on the non-fiscal neutrality of the additional measures required for the achievement of the 3.5% target. Divergence of opinion was observed over the need for further debt relief. On the other hand, all sides agreed on the need to accelerate the reform implementation process with special focus on the reforms that improve public finances, repair balance sheets and remove obstacles to growth.

tstamatiou@eurobank.gr

February 7, 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

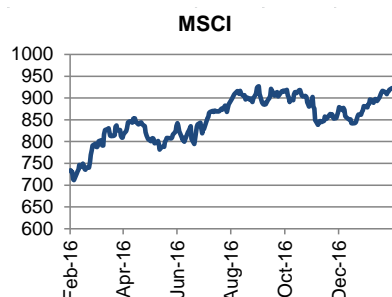
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Most emerging market assets were on the back foot earlier on Tuesday as investor appetite for riskier assets soured on worries over US President Trump's protectionist policies, a drop in China's FX reserves to multi-year lows below \$3 trillion in January and increasing political jitters in Europe. Against this backdrop, the MSCI Emerging Markets index slid modestly, snapping a 4-session rising streak and recoiling from yesterday's 7-month intraday high.

In the FX markets, emerging market currencies came under pressure as the US dollar recovered ground earlier today. Along these lines, the Turkish lira snapped a 6-session rising streak falling by 0.8% to trade at 3.7145 vs. the USD at the time of writing compared to Monday's settlement. Elsewhere, the Romanian leu recovered some ground as domestic political jitters somewhat eased after the government repealed an emergency decree it adopted last week easing anti-corruption legislation. The decree had stirred street rallies and negative reaction from domestic authorities as well as internationally over backtracking the country's anti-corruption progress since becoming an EU member. It was designed to decriminalize some graft offences, including abuse of power instigating financial damage of less than RON 200k (~€44k). The government had argued that the changes would ease prison overcrowding and align the criminal code with that of the constitutional court.

In the local debt markets, Romania's finance ministry sold yesterday RON 323.7mn (~€72.06mn) of 2022 T-Bonds, a tad more than an initially planned amount of RON 300mn (~€66.79mn). The issue bears a coupon of 3.5% and matures on December 19, 2022. The auction's bid to cover ratio came in at 2.1. The average accepted yield stood at 3.30%, 16bps higher compared to that achieved at a prior tender of the same paper held in January as yields rose over the last few days in view of mounting domestic political jitters. In the external sovereign debt markets, general director of the treasury and public debt department at the Ministry of Public Finance of Romania Stefan Nanu said yesterday that the government plans to issue Eurobonds worth €2.5-3.0bn this year in two separate tranches, with the first likely to take place in H1 2017. He added that the country's gross financing needs for the year are at RON 67bn and that the government might also tap a € 500mn development loan from the World Bank.

In other news, the Central Bank of Romania kept the key policy rate at the current historic low levels of 1.75% at its monetary policy meeting earlier today. The decision came in line with market expectations with stable interest rates today considered a done deal. In support of the aforementioned, although domestic economic activity remains robust and mostly driven by private consumption, annual headline inflation has remained in a negative territory since mid-2015 and is likely to remain below target this year. The Central Bank also announced it decided to maintain unchanged the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions. A press conference by NBR Governor Mugur Isarescu is anticipated to follow at 15.00 EET.

gphoka@eurobank.gr

February 7, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.11	0	-6
1-month	3.34	-1	-1
3-month	3.46	-1	-1
6-month	3.68	0	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	11
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.09	-1	-24
USD Nov-24	6.46	0	5

CDS

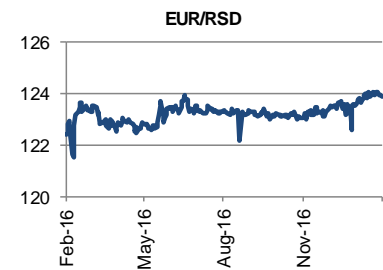
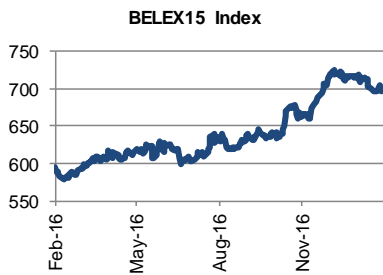
	Last	ΔDbps	ΔYTD bps
5-year	205	0	-2
10-year	248	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	703.3	0.45%	-1.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.95	0.02%	-0.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-10
1-month	0.63	0	-13
3-month	0.84	0	-6
6-month	1.06	0	-5
12-month	1.22	0	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.71	-1	9
5Y RON	2.68	-1	16
10Y RON	3.62	1	-3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.13	-5	-1
USD Jan-24	3.71	1	-14

CDS

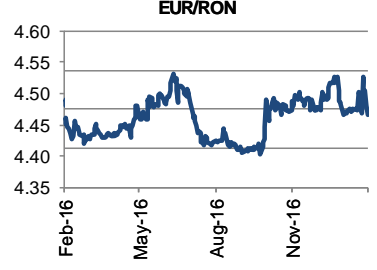
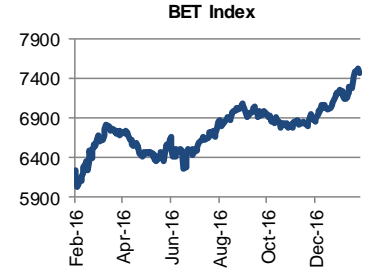
	Last	ΔDbps	ΔYTD bps
5-year	98	7	-12
10-year	142	8	-10

STOCKS

	Last	ΔD	ΔYTD
BET	7582.6	-0.05%	7.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.493	0.28%	1.02%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	0	-33
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.07	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.09	0	-6
5Y BGN	0.42	-1	-9
10Y BGN	1.70	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.59	0	-27
EUR Sep-24	1.64	11	-4

CDS

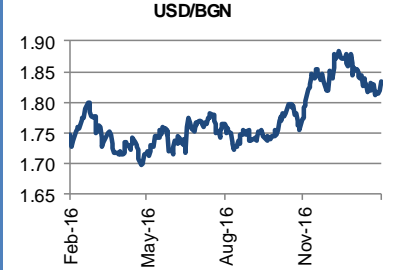
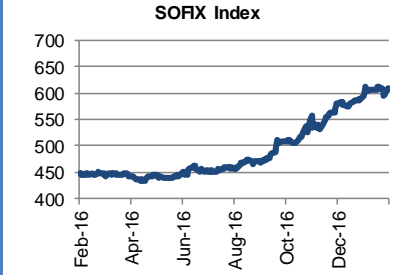
	Last	ΔDbps	ΔYTD bps
5-year	118	-2	-34
10-year	161	-4	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	608.6	0.36%	3.78%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8334	-0.76%	1.36%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:50 EET

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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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