

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Dec 03: ISM Manufacturing (Nov)
- Dec 05:
  - ISM non-manufacturing (Nov)
  - Fed Beige Book
- Dec 06:
  - Trade balance (Oct)
  - Jobless claims (24/11)
  - Durable goods orders (Oct, final)
  - Fed Chair testifies before the Joint Economic Committee of Congress
- Dec 07:
  - Non farm payrolls (Nov)
  - Unemployment rate (Nov)
  - Average hourly earnings (Nov)
  - UM consumer sentiment (Dec, prel)

#### EUROZONE

- Dec 03: Markit Manufacturing PMI (Nov, final)
- Dec 04
  - ECOFIN Council meeting
- Dec 05:
  - Markit Services PMI (Nov, final)
  - Retail sales (Oct)
- Dec 07:
  - GDP (Q3, final)
  - Q3 wage growth

#### GREECE

- Dec 3: PMI Manufacturing (Nov)
- Dec 04: GDP (Q3, provisional)
- Dec 06:
  - Unemployment rate (Sep)

#### SEE

##### BULGARIA

- Dec 07: GDP (Q3, final)

##### CYPRUS

- Dec 06: CPI (Nov)
- Dec 07: GDP (Q3, final)

##### ROMANIA

- Dec 04: PPI (Oct)
- Dec 05: Retail Sales (Oct)
- Dec 07: GDP (Q3, prel.)

##### SERBIA

- Dec 6: KPR (Q3, Final)
- Dec 07: PPI (Nov)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting led to an agreement for the US to postpone the scheduled tariff increase. In return, China will purchase a "very substantial" amount of US goods in order to reduce the trade deficit with the US. The two leaders also agreed to engage in a new round of trade discussions in mid-December aiming to reach a final agreement within 90 days. If no agreement has been reached by the end of this period, the US 10% tariff rate will be raised to 25%. In reaction to the US/China trade dispute ceasefire, global equity markets were firmer in early trade on Monday, core government bond yields inched higher and the USD lost some ground. Fed Chair Jerome Powell testifies before the Joint Economic Committee of Congress on Thursday while in the UK, the debate in the House of Commons on the Brexit Withdrawal Agreement and the Political Declaration commences on Tuesday ahead of the planned vote on 11 December.

**GREECE:** At today's Eurogroup the European Commission will present to ministers the first enhanced surveillance report for Greece. According to press reports, the Eurogroup may also briefly discuss the household insolvency framework, which is set to expire on 31 December 2018, as well as recent court rulings that may pose a fiscal risk for the period ahead. A more in-depth examination of Greece's progress in reforms and privatisations is expected in the second enhanced surveillance review, due in February 2019, which will also determine the return of SMP/ANFA profits.

### SOUTH EASTERN EUROPE

**BULGARIA:** The blue chip index SOFIX posted modest gains over the week, ending 0.54% higher at 592.12 points.

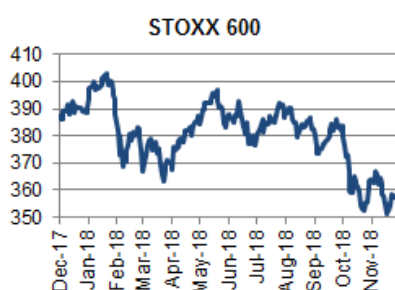
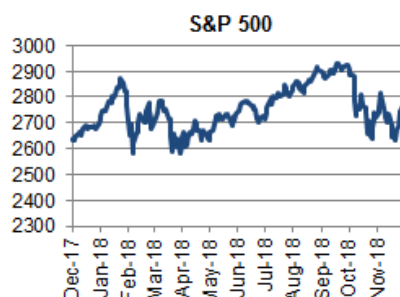
**SERBIA:** The EUR/RSD remained bound within a 118.10 – 118.30 trading range.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting led to an agreement for the US to postpone the scheduled tariff increase. That means the US will not raise the 10% tariff rate on \$200bn worth of Chinese imports on 1 January 2019, as initially planned. In return, China will purchase a "very substantial" amount of US goods, including farm, energy and industrial goods, in order to reduce the trade deficit with the US. The two leaders also agreed to engage in a new round of trade discussions in mid-December aiming to reach a final agreement within 90 days. According to the US, discussions will focus on structural changes pertaining to "forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture". If no agreement has been reached by the end of this period, the 10% tariff rate will be raised to 25%. In reaction to the US/China trade dispute ceasefire, global equity markets were firmer in early trade on Monday, core government bond yields inched higher and the USD lost some ground. Fed Chair Jerome Powell testifies before the Joint Economic Committee of Congress on Thursday where he is likely to support the prevailing market view that, although a 25bps rate hike at the December meeting is highly likely, future rate moves will largely be guided by incoming data. On the data front, major releases this week include Monday's US ISM report for the manufacturing sector ahead of Friday's non-farm payrolls report which is likely to show continuing upward pressure from the tightening labor market on wage growth. In the Eurozone, attention is on Q3 wage growth data and the final Q3 GDP growth figures, both on Friday while the ECOFIN Council convenes on Tuesday and is likely to give its consent for the formal start of an Excessive Deficit Procedure against Italy. In the UK, the debate in the House of Commons on the Brexit deal commences on Tuesday ahead of the planned vote on 11 December.

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### GREECE

At today's Eurogroup the European Commission will present to ministers the first enhanced surveillance report for Greece. According to press reports, the Eurogroup may also discuss the household insolvency framework, which is set to expire on 31 December 2018, as well as recent court rulings that may pose a fiscal risk for the period ahead. As regards the first issue, the Greek government would reportedly prefer to extend the existing legal framework (law 3869/2010) for one year but European partners are likely to object to that on the grounds that it provides protection to strategic defaulters. Consequently, the Greek side is expected to present an alternative scheme, which may entail stricter eligibility criteria or a significant decrease to the minimum value of the first residence that enjoys protection. With regard to the second issue, according to the enhanced surveillance report, "the Greek authorities should monitor fiscal risks, including court rulings, and are invited to take offsetting measures as needed to meet the medium-term fiscal targets in the context of the Medium-Term Fiscal Strategy (MTFS) and its annual updates". A more in-depth examination of Greece's progress in reforms and privatisations is expected in the second enhanced surveillance review, due in February 2019, which will also determine the return of SMP/ANFA profits. In other news, the Public Debt Management Agency (PDMA) is reportedly planning to tap the financial markets again in 2019 in order to raise funds of c. EUR7 billion. Should financial conditions be favourable, the PDMA will initially roll-over the 5-year GGB issued in 2014 and then proceed with the issuance of a 10-year GGB.

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## Latest economic & market developments in the CESEE region

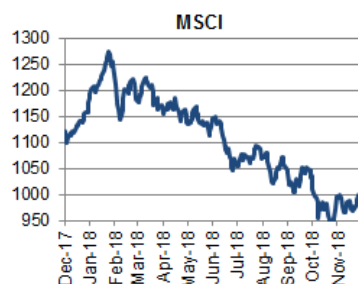
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

### BULGARIA\*

The blue chip index SOFIX posted modest gains over the week, ending 0.54% higher at 592.12 points. Weekly turnover was strong ending at EUR 5.6mn. External government yields remained unchanged for the most part of the week, with the largest move coming from the government bond maturing in 2023 with a yield increase of 3.3 bps. Treasury bills also remained flat with the largest movers being those with 8 and 10 year tenor, posting a modest 1-2 bps yield drop.

### SERBIA\*

Downside pressures persisted on the EUR/RSD last week, with the pair ending on Friday at 118.10/30 after peaking at 118.30/50 on Monday. We point out that the rate of 118.15 remains a critical pivotal point for the pair as it is considered a trigger point, after which the National Bank of Serbia (NBS) starts to intervene. The majority of interventions by the NBS has been taking place when the rate is hovering around 118.15-20 and NBS has purchased EUR 1.8bn so far this year. In other news, according to official statistical data published on Friday, GDP expanded by 3.8% YoY and 0.5% QoQ in Q3-2018. The main GDP growth contributors were agriculture and construction, which increased by 15.9% YoY and 7.0% YoY respectively.

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\*We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank Beograd for their invaluable contribution in today's issue.

Monday 03 December 2018

**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	2760.17	0.8%	3.2%	EUR/USD	1.1372	0.5%	-5.3%	UST - 10yr	3.04	5	64	GOLD	1232	0.8%	-5.4%
Nikkei 225	22574.76	1.0%	-0.8%	GBP/USD	1.282	0.5%	-5.2%	Bund-10yr	0.34	2	-9	BRENT CRUDE	62	4.6%	-7.0%
STOXX 600	357.49	-0.2%	-8.1%	USD/JPY	113.46	0.1%	-0.7%	JGB - 10yr	0.09	-1	4	LMEX	2910	0.5%	-14.9%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.47	0	-5
1-week	2.57	0	-4
1-month	2.70	0	-15
3-month	3.05	0	-7
6-month	3.18	0	-6

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-1	-120
5Y RSD	3.65	0	-65
7Y RSD	4.16	0	-101

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.22	0	123

**CDS**

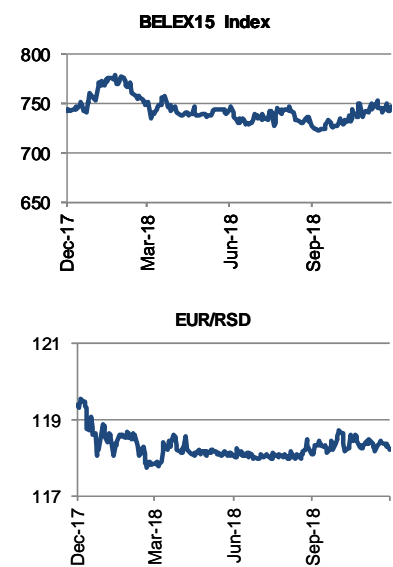
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	154	0	-9

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	747.6	0.66%	-1.60%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.26	-0.69%	0.55%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.32	-	123
1-month	2.95	-	108
3-month	3.09	-	104
6-month	3.36	-	109
12-month	3.54	-	122

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.96	0	58
5Y RON	4.37	0	59
10Y RON	4.96	0	65

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-1
USD Jan-24	4.50	-1	150

**CDS**

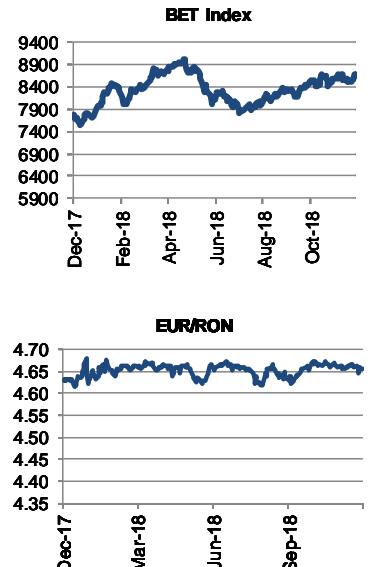
	Last	ΔDbps	ΔYTD bps
5-year	106	1	16
10-year	149	1	16

**STOCKS**

	Last	ΔD	ΔYTD
BET	8665.4	1.02%	11.76%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6569	-0.06%	0.17%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	-1	-1
5Y BGN	0.08	0	-7
10Y BGN	0.73	0	-23

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	0	10
EUR Sep-24	0.63	0	5

**CDS**

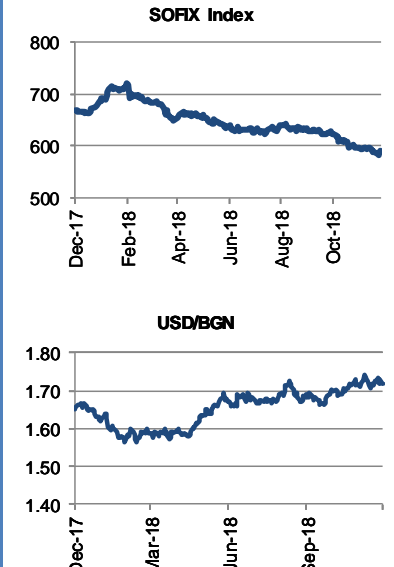
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	126	0	-16

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	592.1	0.06%	-12.60%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7199	0.47%	-5.26%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 9:37 EEST

Monday 03 December 2018

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