

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: Yesterday's market relief following the ceasefire trade agreement between the US President and his Chinese counterpart on the sidelines of the G20 meeting proved short-lived. European bourses opened lower today and US stock futures point to a lower opening on market uncertainty over whether a permanent trade deal can be sealed in such a limited period of time. Against this background, core government bonds extended recent gains. The US 2/10-yr yield spread narrowed to its lowest level in 2 ½ months while the 3/5-yr yield curve inverted yesterday for the first time since 2007. In FX markets, the USD remained under pressure following a recent downward shift in short-term Fed rate tightening expectations. In the absence of major data releases today, focus is on the UK where the House of Commons starts debating the government's Brexit deal ahead of the 11 December vote.

GREECE: The European Commission presented yesterday to the Eurogroup the first enhanced surveillance report for Greece, which according to Eurogroup President Mario Centeno, shows some good progress although more is needed with regard to privatisations, arrears clearance, insolvency legislation and product market reform. On the economic data front the s.a. IHS Markit Greece Manufacturing Purchasing Managers' Index (PMI) registered 54.0 in November, up from 53.1 in October and at the highest level of the past six months.

SOUTH EASTERN EUROPE

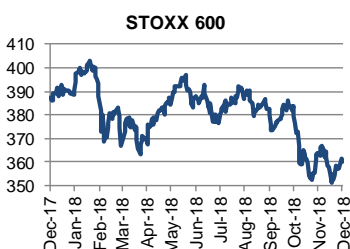
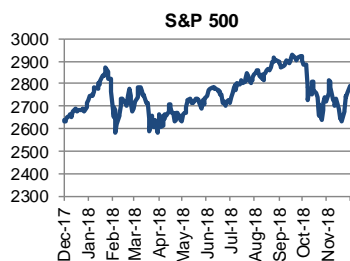
SERBIA: Q3 GDP growth expanded by 3.8% YoY, just 0.1pp above the flash estimate released one month ago. In Q2-2018 GDP growth came in at 4.8% YoY, following a 4.6% YoY rate in Q1-2018. As we approach year end, private consumption remains the vital determinant of growth as it accounts for over 70% of GDP, which is considered one of the highest in the region.

DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Yesterday's market relief following the ceasefire trade agreement between the US President and his Chinese counterpart on the sidelines of the G20 meeting proved short-lived. European bourses opened lower today and US stock futures point to a lower opening on market uncertainty over whether a permanent trade deal can be sealed in such a limited period of time. There is also confusion over whether the starting day of the ceasefire period is 1 December or 1 January following unclear comments by a couple of high level US government officials. Adding to the above, market worries over the global growth outlook prevail as the existing US tariffs on Chinese imports and China's retaliatory measures remain in place in spite of the ceasefire agreement. Against this background, core government bonds extended recent gains with the 10-yr UST yield falling to 2.95% earlier today after moving below 3.00% on Monday for the first time in the last 2½ months. With long-dated US paper continuing to outperform, the 2/10-yr yield curve undertook some further bullish flattening with the corresponding spread narrowing to 14.5bps earlier today, the flattest in over a decade. Looking at the front end, the 3/5-yr yield curve inverted yesterday for the first time since 2007 standing at a low of -0.9bps earlier today. The 2/5-yr yield curve followed suit today with the corresponding spread narrowing to -0.8bps with investors wondering whether the closely watched 2/10-yr part of the yield curve will also invert, a perceived signal of an impending recession. In FX markets, the USD remained under pressure following a recent downward shift in short-term Fed rate tightening expectations after the latest comments by Fed Chair Jerome Powell and the minutes of the November FOMC meeting raised market talk that the end of the Central Bank's rate tightening cycle may be closer than expected. However, the EUR has failed so far to benefit much from the USD's recent weakness hovering around 1.1390 in early European trade at the time of writing, 0.3% higher on the day but still below the 1.1450/1.1500 technically important area on the back of ongoing worries over the Eurozone's growth outlook and prevailing Brexit uncertainty. Market reports conveying that the Italian government is negotiating with the EU to reduce its 2019 fiscal budget deficit to 2.0% of GDP or lower, failed to exert a significant positive impact on the EUR. In the absence of major data releases today, focus is on the UK where the House of Commons starts debating the government's Brexit deal ahead of the 11 December vote.

ppetropoulou@eurobank.gr

GREECE

The European Commission presented yesterday to the Eurogroup the first enhanced surveillance report for Greece, which according to Eurogroup President Mario Centeno, shows some good progress. The Eurogroup also welcomed that the 2019 primary surplus target of 3.5% of GDP is projected to be met as it has been in the two previous years as well. At the same time it was acknowledged that more progress is needed in some areas, particularly privatisations, arrears clearance, insolvency legislation and product market reform. On the economic data front the s.a. IHS Markit Greece Manufacturing Purchasing Managers' Index (PMI) registered 54.0 in November, up from 53.1 in October and at the highest level of the past six months. Output rose on the back of greater order volumes attributed to higher domestic client demand, which some panelists linked to a rise in tourism-related activity. On the flipside, export orders expanded at the weakest pace in 14 months. Stronger demand led to expanded workforce numbers with the rate of job creation being one of the quickest since data collection began in 1999. That said, backlogs fell for the eighth successive month and at the second-quickest pace in 2018 so far.

andimitriadou@eurobank.gr 2

Latest economic & market developments in the CESEE region

SERBIA

Q3 GDP growth expanded by 3.8% YoY, just 0.1pp above the flash estimate released one month ago. In Q2-2018 GDP growth came in at 4.8% YoY, following a 4.6% YoY rate in Q1-2018. On the production side, the main GDP growth contributors were agriculture and construction, which increased by 15.9% YoY and 7.0% YoY respectively. From the expenditure perspective, gross fixed capital formation increased by 7.0% YoY while public and private consumption grew by 4.0% YoY and 3.3% YoY respectively. The increase of 9.1% YoY in exports was not sufficient to outweigh the growth of imports by 11.2% YoY, thus net exports contributed negatively to Q3 GDP growth. The National Bank of Serbia (NBS) forecasts GDP growth in Q4-2018 to come in at ca 3.5% YoY, which will result in a FY2018 close to 4.2% YoY. As we approach year end, private consumption remains the vital determinant of growth as it accounts for over 70% of GDP, one of the highest in the region. We expect the respective growth component to continue expanding in 2019 at the same rate, i.e. ca 3% YoY on the back of the recent and future, as promised, wage increases, giving the pulse for the overall GDP growth in the coming year.

At the November meeting, the NBS kept the key rate unchanged at 3%. The decision was broadly anticipated following the Q3 GDP flash data, indicating continuation of positive economic dynamics. Headline inflation climbed to 0.3% MoM/2.2% YoY in October compared to -0.3% MoM/2.1% YoY in September. Following the increase in August to 2.6% YoY vs 2.4% YoY in July, inflation eased in September standing at 2.1% YoY and on track to reach 2.4% YoY in October, still lower than the consensus projected inflation. Inflation remains at the lower end of the target band of the NBS (3%, \pm 1.5%) and is expected to continue as such in the next two years as the breakdown of figures implies that any price acceleration is mainly attributed to volatile prices (i.e. food and fuel prices behavior within the past twelve months). Looking forward, we expect the NBS to keep the key rate at the current level throughout the year and for most of 2019.

mkasola@eurobank.gr

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

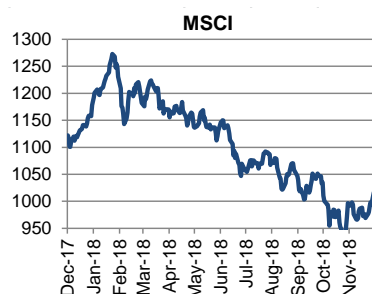
* on a cash basis

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+

Tuesday 04, 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	2790.37	1.1%	4.4%	EUR/USD	1.14	0.4%	-5.0%	UST - 10yr	2.95	-2	55	GOLD	1239	0.7%	-4.9%
Nikkei 225	22036.05	-2.4%	-3.2%	GBP/USD	1.2807	0.7%	-5.3%	Bund-10yr	0.28	-2	-14	BRENT CRUDE	63	1.7%	-6.2%
STOXX 600	360.29	-0.2%	-7.4%	USD/JPY	112.81	0.8%	-0.1%	JGB - 10yr	0.07	-1	3	LMEX	2947	1.3%	-13.8%

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	3.02	-3	-10
6-month	3.15	-3	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.11	2	-117
5Y RSD	3.65	0	-64
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.21	0	122

CDS

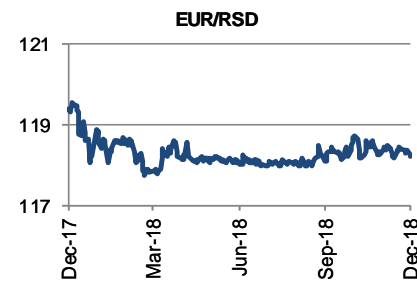
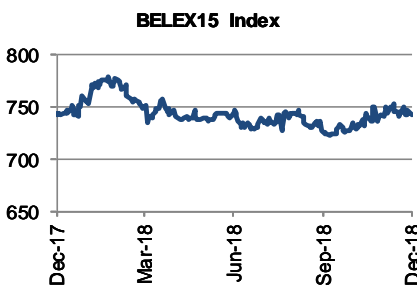
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-7
10-year	153	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.7	-0.16%	-2.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.25	0.05%	0.55%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.27	-3	118
1-month	2.9	-1	103
3-month	3.09	-2	104
6-month	3.36	0	109
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.92	0	53
5Y RON	4.34	0	56
10Y RON	4.95	0	63

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.14	#N/A	N/A
USD Jan-24	4.47	1	147

CDS

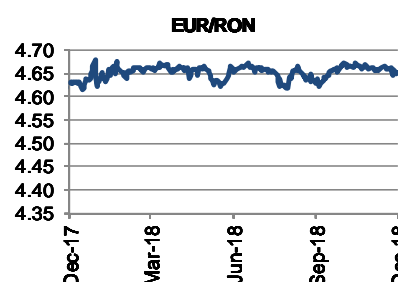
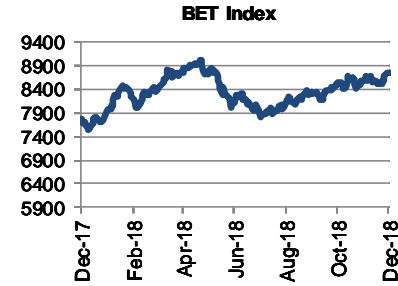
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	1	17

STOCKS

	Last	ΔD	ΔYTD
BET	8731.0	-0.24%	12.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6505	-0.02%	0.31%



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	0.74	0	-23

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.02	0	10
EUR Sep-24	0.58	0	0

CDS

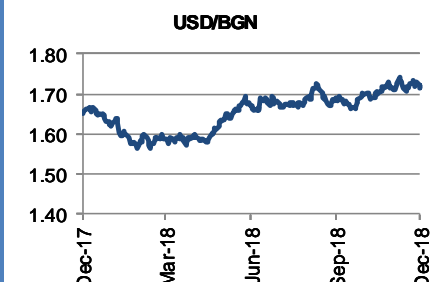
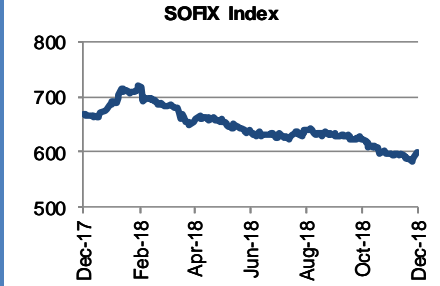
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	1	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	599.8	0.12%	-11.46%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7157	0.40%	-5.03%



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

Data updated as of 11:35 EEST

Tuesday 04, December 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissi: Administrator
magiannisi@eurobank.gr, +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

