



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 05 December 2018

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: Mirroring the negative tone in Wall Street overnight, global equity indices traded in the red on Wednesday amid heightened investor concerns over trade protectionism and weakening global economic momentum. Against this background, core government bonds extended recent gains with the 2/10-yr yield curve undertaking some further bullish flattening. Increasing signs that the Fed might be closer to the end of the current tightening cycle, worries over the sustainability of the US-China tariff truce and real money bids have also had an impact on long-term US Treasury yields. In FX markets, the DXY dollar index advanced somewhat on Wednesday around 96.997 at the time of writing, though still remaining under pressure below its 1 ½ year high of 97.693 hit in mid-November, while the EUR/USD consolidated around yesterday's closing of 1.1343 in European trade at the time of writing.

GREECE: According to ELSTAT's quarterly national accounts, real GDP growth rate in Greece increased to 2.2% YoY/ 1.0% QoQ in 2018Q3 from 1.4% YoY/ 0.4% QoQ in the former quarter.

SOUTH EASTERN EUROPE

CYPRUS: The IMF Executive Board concluded the 2018 Article IV consultation for Cyprus.

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Latest world economic & market developments

GLOBAL MARKETS

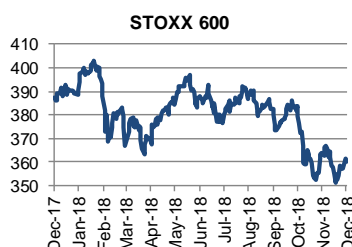
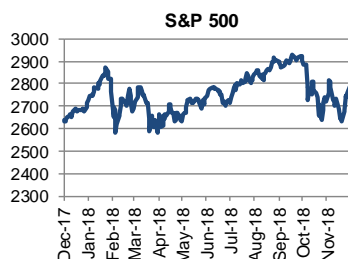
Mirroring the negative tone in Wall Street overnight, global equity indices traded in the red on Wednesday amid heightened investor concerns over trade protectionism and weakening global economic momentum. Against this background, core government bonds extended recent gains with the 10-yr UST yield falling to a three-month low of 2.88% in Asian trade on Wednesday. Long-dated US paper continued to outperform, with the 2/10-yr yield curve undertaking some further bullish flattening and the respective spread narrowing to its flattest level in more than a decade. Increasing signs that the Fed might be closer to the end of the current tightening cycle, worries over the sustainability of the US-China tariff truce and real money bids have also had an impact on long-term US Treasury yields. The prevalent short positioning seems to have cleared with markets cautious as steepeners got stopped out. In FX markets, the DXY dollar index advanced somewhat on Wednesday around 96.997 at the time of writing, though still remaining under pressure below its 1 ½ year high of 97.693 hit in mid-November, while the EUR/USD consolidated around yesterday's closing of 1.1343 in European trade at the time of writing. In terms of economic data releases, Chinese November Caixin composite PMI surpassed market expectations at 51.9 from 50.5 last in October, as PMI services surprised on the upside coming in at 53.8 versus 50.7 expected. Market focus today centres on November Markit Services PMI indices for the US and the euro area. Furthermore, October retail sales for the euro area are due later in the day. Last but not least, the Fed's Beige Book is expected to be published today, while Fed Chair Jerome Powell testimony before the Joint Economic Committee has been postponed due to the observance of a mourning day for the passing away of ex US President H.W Bush.

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GREECE

According to ELSTAT's quarterly national accounts, real GDP growth rate in Greece increased to 2.2% YoY/ 1.0% QoQ in 2018Q3 from 1.4% YoY/ 0.4% QoQ in the former quarter. Inventory investment (i.e. changes in inventories), private consumption and net exports of services had a positive contribution to the annual real GDP growth, while the respective contribution of net exports of goods, fixed investment and public consumption was negative. For the period January – September 2018, real GDP growth rate in Greece stood at 2.1% YoY - the same as the respective FY-2018 forecast in the 2019 state budget – with private consumption, gross capital formation and exports of goods and services recording an increase of 0.8% YoY, 1.5% YoY and 8.3% YoY respectively. The expenditure components of public consumption and imports of goods and services had a negative contribution to the January – September 2018 annual real GDP growth rate. The former decreased by -3.0% YoY and the latter increased by 3.1% YoY.

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Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

CYPRUS

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

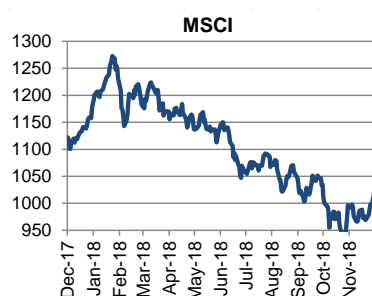
* on a cash basis

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+

The statement of the Executive Board on the occasion of the conclusion of the Article IV consultation with Cyprus confirmed the preliminary findings of the IMF mission in early October and elaborated further on the macro-outlook of 2018-2019. According to the consultation, the near-term outlook for the economy is positive, with growth expected to remain at around 4.2% in 2018-19, supported by the services sector and largely foreign-financed investments. However, over the medium term, economic growth is projected to slow to its long-run potential rate of around 2.5%, as the transitory effects of the investment boom gradually dissipate. Sustaining this medium-term growth will require progress in structural reforms crucial for lowering systemic financial risks and catalyzing productivity enhancing investments.

The IMF also welcomed the recent reforms undertaken to address key vulnerabilities in the banking sector, including the resolution of Cyprus Co-operative Bank (CCB), a large systemic state-owned bank. However, the IMF called for the steadfast implementation of the amended legislative framework on foreclosure, insolvency, sale of loans, and securitization, supplemented by a strengthening of the court system and removal of uncertainties related to title deeds. In addition, it also stressed the need to enhance the governance and supervisory framework for the recently-established asset management company. Finally, IMF recommended that to limit moral hazard, the proposed "ESTIA" scheme aimed at encouraging distressed borrowers to begin servicing their loans be better targeted and based on appropriate assessment of borrowers' capacity to repay.

Indeed, the flash estimate of CYSTAT on the seasonally adjusted Q3-2018 GDP reading came in at 0.7% QoQ/3.6% YoY, bringing the year to September performance at 3.9%. This strong reading compares to 0.8% QoQ/4.0% YoY in Q2-2018, 1.1% QoQ/4.1% YoY in Q1-2018 vs. 1.0% QoQ/3.6% YoY in Q3-2017. Although the components are not known yet, we expect no major breakthrough in the trends witnessed so far. Sustained sentiment improvement, a flourishing tourism sector (arrivals 7.8% YoY in 10M-2018), improved labor market conditions (unemployment at 7.4% in 9M-2018, now standing below EA-19 levels), further property market stabilization (RPPI index in positive territory in the last six quarters) and the impact from fiscal relaxation after the graduation from the programme are among the main drivers behind final consumption revival. Investments received support from the stream of ongoing residential and tourism infrastructure construction projects. The program "citizenship through inward investment" has helped to attract foreign investment in the real estate sector in the form of high-rise residential towers, particularly in the Limassol & Paphos areas.

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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	2700.06	-3.2%	1.0%	EUR/USD	1.1341	0.0%	-5.5%	UST - 10yr	2.91	0	51	GOLD	1236	-0.2%	-5.1%
Nikkei 225	21919.33	-0.5%	-3.7%	GBP/USD	1.2735	0.1%	-5.8%	Bund-10yr	0.25	-1	-17	BRENT CRUDE	61	-1.1%	-8.2%
STOXX 600	355.06	-0.9%	-8.8%	USD/JPY	112.97	-0.2%	-0.2%	JGB - 10yr	0.07	-1	2	LMEX	2928	-0.7%	-14.4%

SERBIA

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

RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	3.10	-1	-118
5Y RSD	3.64	0	-60
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Feb-20	4.21	0	121

CDS

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

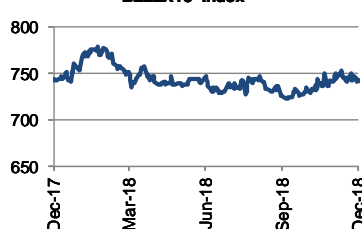
STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.6	0.08%	-2.40%

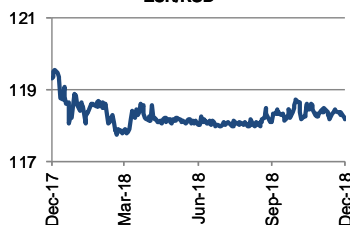
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.14	0.03%	0.65%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	2.25	-2	116
1-month	2.86	-4	99
3-month	3.09	0	104
6-month	3.37	1	110
12-month	3.54	0	122

RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	3.83	0	45
5Y RON	4.26	0	48
10Y RON	4.89	0	58

RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Oct-25	1.53	#N/A	N/A
USD Jan-24	4.46	-1	146

CDS

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

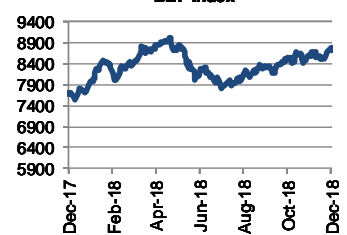
STOCKS

	Last	ΔD	ΔYTD
BET	8712.0	-0.85%	12.36%

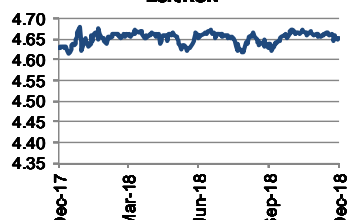
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6532	-0.02%	0.25%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔD	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	ΔD	ΔYTD bps
3Y BGN	-0.07	-1	-1
5Y BGN	0.08	-3	-7
10Y BGN	0.76	0	-20

BG Eurobonds

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

CDS

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

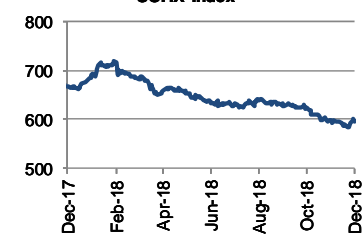
STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.1	-0.87%	-12.01%

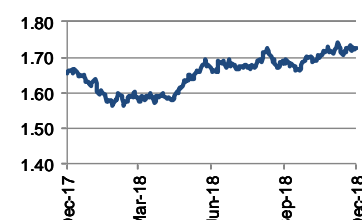
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7244	-0.01%	-5.51%

SOFIX Index



USD/BGN



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

Data updated as of 11:40 EEST

Wednesday 05 December 2018

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