

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 06 November 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Nov 05: ISM Non-manufacturing index (Oct)
- Nov 07: Midterm elections
- Nov 08:
 - Initial jobless claims (Nov 3)
 - FOMC policy meeting
- Nov 09:
 - PPI, final demand (Oct)
 - University of Michigan Consumer Sentiment (Nov, prel)

EUROZONE

- Nov 06:
 - Markit Services & Composite PMI (Oct, final)
 - PPI (Sep) (Oct, Final)
 - German industrial orders (Sep)
- Nov 07:
 - Retail sales (Sep)
 - German industrial production (Sep)
- Nov 08: EC Autumn forecast update

GREECE

- Nov 08: Unemployment rate (Aug)
- Nov 09:
 - Industrial output (Sep)
 - CPI (Oct)

SEE

BULGARIA

- Nov 08:
 - Industrial production (Sep)
 - Retail sales (Oct)

CYPRUS

- Nov 05: CPI (Oct)

ROMANIA

- Nov 05: Retail sales (Sep)
- Nov 06: KPR
- Nov 09: Trade balance (Sep)

SERBIA

- Nov 07: PPI (Oct)
- Nov 08: KPR

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Awaiting the outcome of today's US midterm elections (expected from 23:00GMT), the 10-yr UST yield was hovering around 3.20% in European trade at the time of writing, not far from this year's peak of 3.26% recorded in early October on the back of lingering expectations for further Fed rate tightening ahead. Meanwhile, Italy's government bond yields were higher with Eurozone finance ministers calling Italy at yesterday's Eurogroup to cooperate closely with the European Commission in the preparation of a revised budgetary plan, which will be in line with the Stability and Growth Pact.

GREECE: According to press reports, deliberations between Greece and its European partners on the 2019 draft budgetary plan are ongoing and a final decision on the implementation or suspension of the pre-legislated pension cuts is expected most likely at the extraordinary 19 November Eurogroup. With regard to the household insolvency law (Law 3869/2010), which the Greek government wishes to extend for one year, i.e. up to end-2019, the institutions are reportedly raising objections.

SOUTH EASTERN EUROPE

BULGARIA: The coalition government approved the budget for 2019 in the past week, projecting a fiscal deficit of 0.5% of GDP compared to the expected 0.5% of GDP budget surplus in 2018.

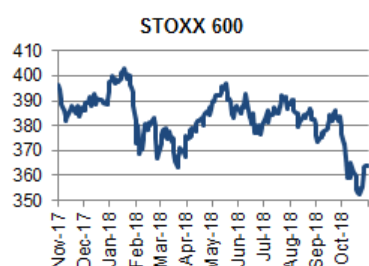
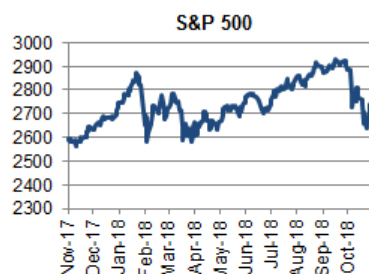
DISCLAIMER

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.

Tuesday 06 November 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Ahead of today's US midterm elections, opinion polls and prediction markets suggest that the base case is for the Democrats to win the majority in the House of Representatives and the Republicans to maintain and even increase the majority in the Senate. The first polls close at 6pm EST/11pm GMT with the majority of most polls on the East Coast closing at 8pm EST, so preliminary results are about to start around 6-8pm EST. Should the polls prove right and the US Congress is eventually divided, US President Trump will likely find it difficult to push his domestic expansionary fiscal policy agenda through, possibly taking more action on foreign and trade policy over which he has more executive authority. Awaiting the outcome of today's US midterm elections, the 10-yr UST yield was hovering around 3.20% in European trade at the time of writing, not far from this year's peak of 3.26% recorded in early October on the back of lingering expectations for further Fed rate tightening ahead. In a similar note, the 10-yr Bund was yielding levels around 0.43%, within distance from a multi-session peak of 0.44% touched late last week in spite of market concerns about the risk of a more pronounced than currently expected slowdown in Eurozone economic growth. Meanwhile, Italy's government bond yields were higher, with the 10-yr yield rising by more than 3bps on the day at 3.35% taking its spread against the German counterpart to around 292bps, some 2.5bps wider on the day. Following the conclusion of yesterday's Eurogroup, finance ministers made known that they agree with the Commission assessment and called Italy to cooperate closely with the European Commission in the preparation of a revised budgetary plan, which will be in line with the Stability and Growth Pact. Italy has until November 13 to submit revised spending plans after the European Commission took the unprecedented step of rejecting its 2019 draft budget. However, speaking to reports, Deputy Prime Minister Luigi Di Maio made clear that the government's plans will not change. The Commission will issue its final verdict on Italy's budget on November 21. Turning to FX markets, the USD was little changed on the day, awaiting the result of today's US mid-term elections, with the DXY index standing close to 96.3258 at the time of writing after hitting a 16-month peak of 97.200 a few sessions ago.

okosma@eurobank.gr
ppetropoulou@eurobank.gr

GREECE

According to press reports, deliberations between Greece and its European partners on the 2019 draft budgetary plan are ongoing and a final decision on the implementation or suspension of the pre-legislated pension cuts is expected most likely at the extraordinary 19 November Eurogroup. ESM Managing Director Klaus Regling reportedly stated that commitments must be respected or revised in agreement with the institutions and that is what is happening now. In a milder tone, EC Commissioner Pierre Moscovici reportedly claimed that there seems to be fiscal space in Greece's next year's budget and it now remains to be decided how this will be used. With regard to the household insolvency law (Law 3869/2010), which the Greek government wishes to extend for one year, i.e. up to end-2019, the institutions are reportedly raising objections. Referring to this matter yesterday, ECB country coordinator Francesco Drudi appeared skeptical and reportedly stated that there is still a significant number of pending cases at courts, whereas a large part of those who have sought protection under this law are strategic defaulters.

andimitriadou@eurobank.gr

Latest economic & market developments in the CESEE region

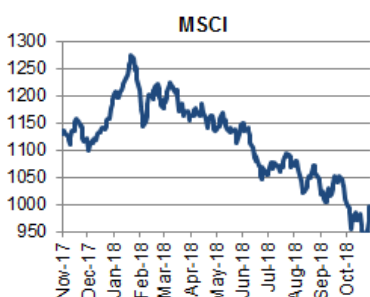
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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

ROMANIA: Indicator	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

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

In the past week, the coalition government approved the budget for 2019, projecting a fiscal deficit of 0.5% of GDP compared to the expected 0.5% of GDP budget surplus in 2018. For 2020 and 2021 the budget is expected to come in balanced. The 2019 budget focuses primarily on substantial progress in social policy, education and defense along with income streamlining and therefore an increase of ca 15.1% YoY in total expenditure will be pursued. On the revenues front, tax income is projected to rise by 7.7% YoY but remain stable in terms of GDP at 29.7%, which is considered rather prudent.

The budget targets are considered realizable hence they are based on robust estimations for the GDP growth. In detail, the Ministry of Finance considers GDP growth for 2019 to come in at 3.7% YoY just as the European Commission forecast in past July. However, we point out the most recent estimate of the IMF at 3.1% YoY for 2019 the previous month in the World Economic Outlook and that of the World Bank in past June at 3.6% YoY. GDP growth for 2020 and 2019 is forecast at 3.5% YoY. Concluding, external key risks that could prevent the smooth and as predicted budget execution in 2019 pertain to ECB's potential hike of the interest rate risks as well as continuing subdued trading ties with Turkey, which is the major non EU country trade partner of Bulgaria, contributing by 23% to the total exports. In fact, the key component for exports downsizing to third countries by 22.3% YoY as observed in October based on August data is the decreased activity by -26% YoY towards neighboring Turkey.

mkasola@eurobank.gr

Tuesday 06 November 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	2738.31	0.6%	2.4%	EUR/USD	1.142	0.1%	-4.9%	UST - 10yr	3.20	0	80	GOLD	1235	0.3%	-5.2%
Nikkei 225	22147.75	1.1%	-2.7%	GBP/USD	1.307	0.2%	-3.3%	Bund-10yr	0.43	0	0	BRENT CRUDE	73	-0.3%	9.1%
STOXX 600	363.30	-0.1%	-6.6%	USD/JPY	113.18	0.0%	-0.4%	JGB - 10yr	0.13	0	8	LMEX	2917	-1.2%	-14.7%

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.40	1	-12
1-week	2.52	3	-9
1-month	2.67	1	-18
3-month	2.98	0	-14
6-month	3.13	-2	-11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.18	0	-110
5Y RSD	3.65	0	-65
7Y RSD	4.15	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.10	0	111

CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	2	-6
10-year	157	7	-6

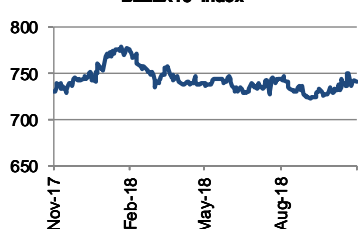
STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.8	0.26%	-2.23%

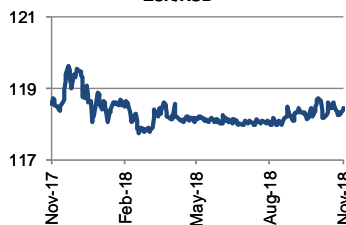
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.45	0.04%	0.39%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.66	-6	157
1-month	3.19	-2	132
3-month	3.25	-1	120
6-month	3.49	0	122
12-month	3.61	0	129

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.16	0	78
5Y RON	4.45	0	67
10Y RON	4.97	0	65

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.40	1	140

CDS

	Last	ΔDbps	ΔYTD bps
5-year	103	-3	13
10-year	145	-3	12

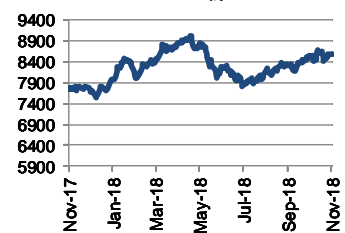
STOCKS

	Last	ΔD	ΔYTD
BET	8578.3	0.06%	10.63%

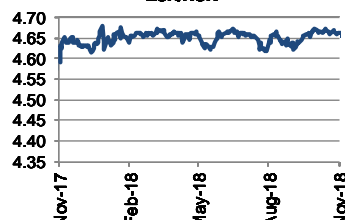
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6631	-0.06%	0.04%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	0	-7
12-month	0.22	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	2
5Y BGN	0.11	0	-3
10Y BGN	0.80	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	0	11
EUR Sep-24	0.61	0	3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	81	1	-16
10-year	124	1	-18

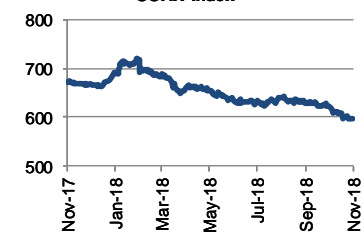
STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.7	0.00%	-11.93%

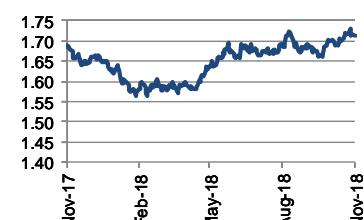
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7127	0.12%	-4.86%

SOFIX Index



USD/BGN



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

Data updated as of 11:30 EEST

Tuesday 10 October 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 Yiannissis: Administrator
magiannis@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

