

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 06 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: Global equity indices traded lower on Thursday after Canadian authorities arrested the CFO of Chinese tech giant Huawei for extradition to the US amid alleged violations of Iranian sanctions. The arrest amplified investor worries over an escalation of trade frictions between the US and China. Against this backdrop, US Treasuries extended recent gains with the 10-yr respective yield falling to a three-month low of 2.874% in Asian trade on Thursday. In Europe, Italian bonds advanced with the 10-yr respective yield falling to a two-month low of 3.049% in early European trade as the Italian Government is reportedly planning to send a revised version of the budget to Brussels by next week. In FX markets, risk-off sentiment favored the safe-haven Yen, with the USD/JPY trading around two-week lows of 112.60 in early European trade.

GREECE: According to the Ministry of Finance, the over-performance regarding the primary surplus target in 2018 allows for the disbursement of a social dividend of EUR710 million to economically weak households by the end of the year. In other news, according to the OECD's annual Revenue Statistics report, the tax-to-GDP ratio in Greece increased by 0.6 percentage points from 38.8% to 39.4% in 2017. This brings Greece to the 8th position out of 36 OECD countries in terms of tax-to-GDP ratio in 2017, from the 10th position in 2016.

SOUTH EASTERN EUROPE

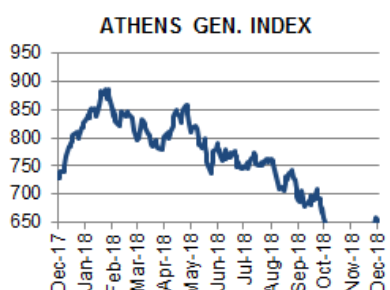
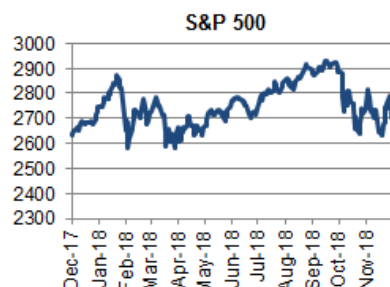
CYPRUS: The budget execution recorded a hefty surplus in the first ten months of 2018.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following a closed US equity market on Wednesday for a national day of mourning to honor former President George H.W. Bush, global equity indices traded lower on Thursday after Canadian authorities arrested the CFO of Chinese tech giant Huawei for extradition to the US amid alleged violations of Iranian sanctions. The arrest amplified investor worries over an escalation of trade frictions between the US and China, following the agreed period of 90-day trade ceasefire on December 1. Against this backdrop, US Treasuries extended recent gains with the 10-yr respective yield falling to a three-month low of 2.874% in Asian trade on Thursday, while the 5yr/10yr spread remained inverted and the 2yr/10yr spread at its flattest in more than a decade. In Europe, Italian bonds advanced with the 10-yr respective yield falling to a two-month low of 3.049% in early European trade as the Italian Government is reportedly planning to send a revised version of the budget to Brussels by next week. Better-than-expected PMI Composite Index for Italy, which remained stable at 49.3 points in November versus an expected deceleration to 49.1 may also has an impact. In FX markets, risk-off sentiment favored the safe-haven Yen, with the USD/JPY trading around two-week lows of 112.60 in early European trade. Elsewhere, the GBP/USD was trading around levels of 1.2734 in European trade at the time of writing, having plunged to a 17-month low of 1.2659 intraday on Tuesday after parliamentary setbacks for Prime Minister Theresa May. Looking at today's calendar, the two-day OPEC/OPEC+ meeting that begins today in Vienna takes centre stage, while, in the US, the November ADP employment data, initial jobless claims, final November PMIs, ISM non-manufacturing report for November, and October capital goods orders are due later in the day.

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GREECE

According to the Ministry of Finance, the over-performance regarding the primary surplus target in 2018 allows for the disbursement of a social dividend to economically weak households by the end of the year. The total social dividend amounts to EUR710 million, same as in 2017, yet more households will receive it due to changes in the eligibility criteria as well as the increase of the minimum value threshold of the real estate property of potential beneficiaries. In other news, according to the OECD's annual Revenue Statistics report, the tax-to-GDP ratio in Greece increased by 0.6 percentage points from 38.8% to 39.4% in 2017. This brings Greece to the 8th position out of 36 OECD countries in terms of tax-to-GDP ratio in 2017, from the 10th position in 2016. The corresponding figures for the OECD average showed an increase of 0.2 percentage points from 34.0% in 2016 to 34.2% in 2017. The tax-to-GDP ratio in Greece has increased from 33.4% in 2000 to 39.4% in 2017. Relative to the OECD average, the tax structure in Greece is characterized by: 1) higher revenues from social security contributions, property taxes, value-based taxes and goods & services taxes (excl. VAT/GST), 2) a lower proportion of revenues from taxes on personal income, profits & gains and taxes on corporate income and gains, and 3) no revenues from payroll taxes.

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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

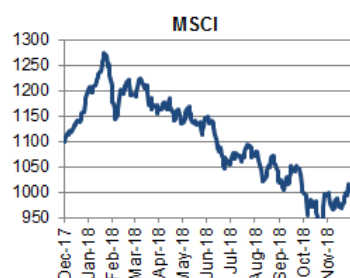
* on a cash basis

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+

CYPRUS

The budget was in surplus during the first ten months of 2018. The consolidated government surplus increased to €852.8mn in 10M-2018, up from €495.4mn in 10M-2017. As a percentage of GDP, the consolidated government surplus came at +4.1% in 10M-2018, compared to +2.5% of GDP in 10M-2017.

The primary surplus stood at +5.9% of GDP in 10M-2018 compared to +4.0% of GDP during the same period a year ago. Total revenues improved by +8.5% YoY, driven by double digit growth in VAT revenues collection (+16.4% YoY) and social security contributions (+9.2% YoY). The only item which registered a decrease was property taxes (-32.3% YoY). On the other hand, total expenditure remained relatively contained, expanding by +2.8% YoY driven by higher spending on public wages (+3.0% YoY), social benefits (+2.9% YoY) and current transfers (+4.1% YoY). On the other hand, spending items such as interest payments (-15.7% YoY) and capital expenditure (-2.9% YoY) decreased.

According to the draft budget plan of next year, the consolidated government surplus is expected to reach 2.9% of GDP in FY2018 up from 1.8% in FY2017. The primary surplus is expected to end at 5.4% in FY2018 up from 4.3% in FY2017. The aforementioned performance is even more impressive despite the lower than the previous year's Central Bank dividend by about 0.2 pts of GDP, as well as the gradual withdrawal of the public sector's wage cuts introduced as from 1st July 2018, of an estimated fiscal impact in the current year of about 0.1 ppt.

On the other hand, it is important to note that the aforementioned metrics don't account for the public support measures for the sale and orderly winding down of Cyprus Co-operative Bank (CCB). The state intervention in the banking system occurred at the expense of temporarily reversing the downward trend in public debt dynamics. The one-off banking system state injection pushed the projected public debt to GDP ratio temporarily up to 104% of GDP in 2018 from 97.5% in 2017. This increase is not expected to reverse the overall downward trajectory of debt-to-GDP, provided fiscal policy remains prudent and nominal 4 October 2018, Year 3, Issue 3 GDP growth remains robust. The public debt-to-GDP ratio is expected to decline to 97% in 2019 and further to 91% in 2020 and to 85% in 2021.

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The GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2700.06	-3.2%	1.0%
Nikkei 225	21501.62	-1.9%	-5.5%
STOXX 600	348.89	-1.5%	-10.4%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1331	-0.1%	-5.6%
GBP/USD	1.2721	-0.1%	-5.9%
USD/JPY	112.7	0.4%	0.0%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.90	-2	49
Bund-10yr	0.25	-2	-17
JGB - 10yr	0.06	0	2

Commodities

	Last	ΔD	ΔYTD
GOLD	1237	0.0%	-5.1%
BRENT CRUDE	61	-1.1%	-8.9%
LMEX	2921	-0.2%	-14.6%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.45	-2	-7
1-week	2.56	-1	-5
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	-2	-120
5Y RSD	3.66	0	-64
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.20	#N/A N/A	120

CDS

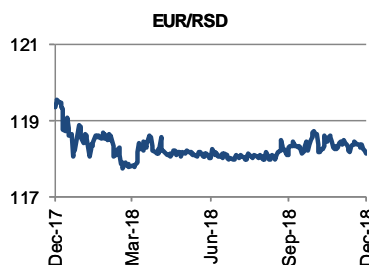
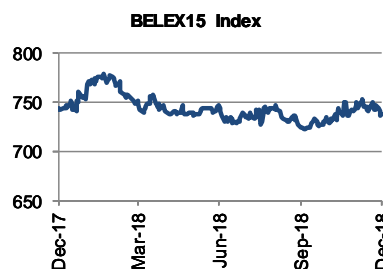
	Last	ΔDbps	ΔYTD bps
5-year	111	1	-7
10-year	153	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.6	0.10%	-2.93%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.13	0.01%	0.66%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.14	-11	105
1-month	2.82	-4	95
3-month	3.08	-1	103
6-month	3.38	1	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.87	0	48
5Y RON	4.29	0	51
10Y RON	4.88	0	57

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.46	0	147

CDS

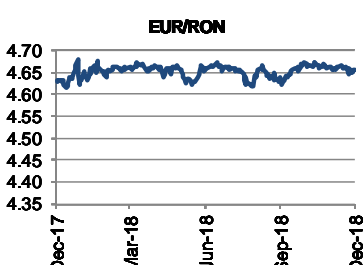
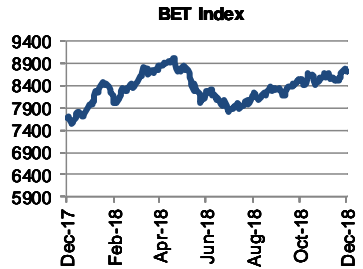
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	16

STOCKS

	Last	ΔD	ΔYTD
BET	8712.9	-0.42%	12.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6551	0.00%	0.21%



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	-0.06	-1	1
5Y BGN	0.11	0	-4
10Y BGN	0.76	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	-2	9
EUR Sep-24	0.59	-3	1

CDS

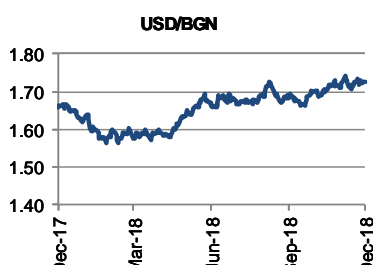
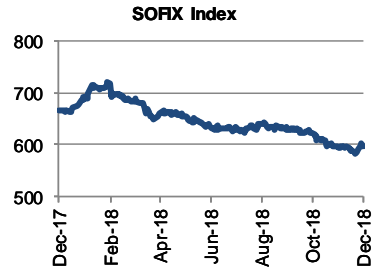
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.3	-0.32%	-12.12%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7261	-0.10%	-5.60%



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

Data updated as of 10:40 EEST

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Thursday, 11 October 2018

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