



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 10 December 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Dec 11: Producer prices (Nov)
- Dec 12: CPI (Nov)
- Dec 13:
 - Initial jobless claims (08/12)
- Dec 14:
 - Retail sales (Nov)
 - Industrial production (Nov)
 - Markit manufacturing and services PMI (Dec, Prel)

EUROZONE

- Dec 11: Germany's ZEW economic sentiment (Dec)
- Dec 12: Industrial production (Oct)
- Dec 13: ECB monetary policy meeting
- Dec 14:
 - Markit manufacturing and services PMI (Dec, Prel)

UK

- Dec 10: Industrial production
- Dec 11
 - Brexit vote in House of Commons
 - Claimant count unemployment (Nov)
 - Average earnings (3-month average, Oct)

GREECE

- Dec 10:
 - Industrial production (Oct)
 - Harmonized CPI (Nov)
- Dec 13: Unemployment rate (Q3)

SEE

BULGARIA

- Dec 10:
 - Industrial production (Oct)
 - Retail sales (Oct)
- Dec 11: Trade Balance (Oct)
- Dec 12: CPI (Nov)

ROMANIA

- Dec 10: Trade Balance (Oct)
- Dec 11: CPI (Nov)

SERBIA

- Dec 12: CPI (Nov)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Risk-off sentiment continued to engulf global market markets early today on mounting worries over the global growth outlook, increasing risks that the US/China trade negotiations may not deliver a successful outcome and expectations for a likely defeat of the UK Prime Minister at Tuesday's vote in the UK House of Commons on the terms of the EU Withdrawal Agreement. In FX markets, the weaker than expected US non-farm payrolls report weighed on the USD and core government bonds retained a firm tone with the 2/10-yr US yield curve undertaking some bullish steepening. Elsewhere, crude oil was firmer on the day following an agreement by OPEC and Non-OPEC members to reduce output by a higher than expected 1.2 million barrels cumulatively per day for the first six months of 2019.

GREECE: In an interview to the Greek newspaper 'Kathimerini' on Sunday, the Minister of Finance Euclid Tsakalotos stated that by the end of the year the PDMA will bring forward a comprehensive programme regarding Greece's financing needs in 2019 and a framework-plan for how many times and with what time horizon the country will tap the financial markets. In other news, high-ranking government officials along with bankers and businesspeople will be in New York this week to meet with foreign investors during the Capital Link 'Invest in Greece' Forum. The Greek PM Alexis Tsipras will also participate via webcast.

SOUTH EASTERN EUROPE

BULGARIA: The blue chip index SOFIX recorded a second consecutive week of gains, concluding 0.54% higher at 595.32 points amid a weekly turnover of EUR3.6m.

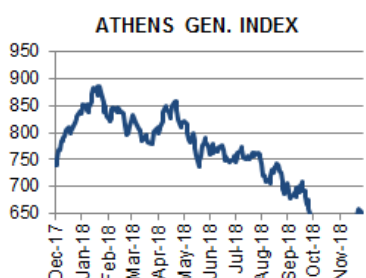
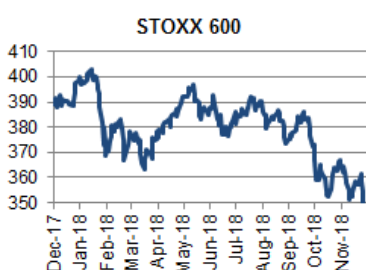
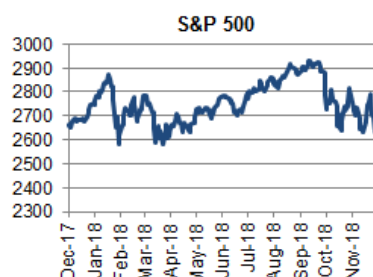
SERBIA: The EUR/RSD remained bound within a 118.05 – 118.40 trading range.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US employment report for November came in weaker than expected with non-farm payrolls rising by 155k, less than 198k expected following October's gain of 237k. The unemployment rate was unchanged at 3.7% while wage data were also softer than expected. Average hourly earnings rose 0.2% mom compared to market consensus for a 0.3% mom rise with the annual rate coming at 3.1%, unchanged from October but against expectations for an increase at 3.2%. Turning to the Eurozone, Q3 GDP growth rate was confirmed at 0.2% QoQ, lower than 0.4% QoQ in Q2 and last year's average of 0.7% while the annual rate was revised slightly lower to 1.6% from 1.7% initially reported compared to 2.2% in the prior quarter. Based on the expenditure approach, disruptions to car production contributed to the slowdown while services growth has also slowed in Q3. Fueling market worries over the global growth outlook, China's exports and imports data for November came in weaker than expected raising the possibility that Chinese authorities may have to adopt more measures to prevent a pronounced economic slowdown. In addition, Japan's Q3 GDP was revised down to a growth rate of -2.5% QoQ, the biggest contraction in four years, from the first estimate of -1.2% mainly due to a larger than initially reported contraction in capex. Against this background, risk-off sentiment continued to engulf global markets early today while increasing risks that the US/China trade negotiations may not deliver a successful outcome and expectations for a likely defeat of the UK Prime Minister at Tuesday's vote in the UK House of Commons on the terms of the EU Withdrawal Agreement, also weighed on market sentiment towards risk assets. In FX markets, the weaker than expected US non-farm payrolls report weighed on the USD boosting the EUR/USD to a three-week high of 1.1443 earlier today ahead of the ECB monetary policy meeting (Thursday) and preliminary Eurozone PMI data for December (Friday). Core government bonds, retained a firm tone with the 2/10-yr US yield curve undertaking some bullish steepening ahead of US CPI data (Tuesday) and retail sales (Friday), both for November. Elsewhere, crude oil was 0.6% firmer on the day and c. 8% higher compared to recent lows (Nov. 29) following an agreement by OPEC and Non-OPEC members to reduce output by a higher than expected 1.2 million barrels cumulatively per day for the first six months of 2019.

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GREECE

In an interview to the Greek newspaper 'Kathimerini' on Sunday, the Minister of Finance Euclid Tsakalotos stated that by the end of the year the Public Debt Management Agency (PDMA) will bring forward a comprehensive programme regarding Greece's financing needs in 2019 and a framework-plan for how many times and with what time horizon the country will tap the financial markets. As regards recent court rulings rejecting the legality of cuts in salaries, pensions and benefits that had taken place in the previous years, the FinMin commented that they may indeed have a fiscal impact in the period ahead but the size of that impact cannot be estimated now. In other news, high-ranking government officials (FinMin Euclid Tsakalotos, Minister of Finance Elena Kountoura, IAPR Governor George Pitsilis and PDMA Chief Executive Dimitris Tsakonas) along with bankers and businesspeople will be in New York this week to meet with foreign investors during the Capital Link 'Invest in Greece' Forum. The Greek PM Alexis Tsipras will also participate via webcast. On the economic data front, the calendar this week includes the CPI Nov-18, industrial output Oct-18 both today and the unemployment rate for Q3-18 on Thursday.

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Latest economic & market developments in the CESEE region

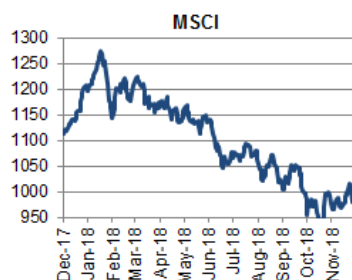
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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 recorded a second consecutive week of gains, concluding 0.54% higher at 595.32 points amid a weekly turnover of EUR3.6m. External government bond yields dropped modestly across the board with the largest mover being the bond maturing in 2024 with a yield drop of 4.1 bps. On the other hand, treasury yields posted modest gains across the board, with those of 5 and 6 year tenor rising the most, i.e. 3 bps each.

SERBIA*

On a weekly basis, we point out the recurrence of a multi month low at 118.10 of the EUR/RSD rate and its prompt bounce back towards the mid of the 6-month range 118.00 – 118.60. This time the rebound hasn't been driven by any new intervention by the NBS. Instead, it pertains to a simple demand from the corporate side, which was strong enough to turn the bearish sentiment into neutral. Looking ahead, strong support still lies at 118.00 as possible gains from the Serbian dinar's appreciation against the Euro will be limited by interventions by the NBS on the back of the latter's intention to keep EUR/RSD stable and within the 118.00 – 118.60 range. As regards government bonds, a Eurobond denominated in dollars, issued in 2013 and totaling to \$1bn, matured on Monday, December 3rd. The redemption of the aforementioned government bond led to the substantial reduction of the Serbian public debt from 56.1% to 54.1%.

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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.

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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	2633.08	-2.3%	-1.5%	EUR/USD	1.1431	0.5%	-4.8%	UST - 10yr	2.85	1	44	GOLD	1248	0.0%	-4.2%
Nikkei 225	21219.50	-2.1%	-6.8%	GBP/USD	1.2729	0.0%	-5.9%	Bund-10yr	0.25	0	-18	BRENT CRUDE	62	0.5%	-7.3%
STOXX 600	343.50	-0.6%	-11.7%	USD/JPY	112.68	0.1%	0.0%	JGB - 10yr	0.04	-2	-1	LME X	2898	0.8%	-15.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.41	0	-11
1-week	2.53	0	-8
1-month	2.69	0	-16
3-month	3.05	0	-7
6-month	3.18	0	-6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	0	-120
5Y RSD	3.66	0	-64
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.19	0	119

CDS

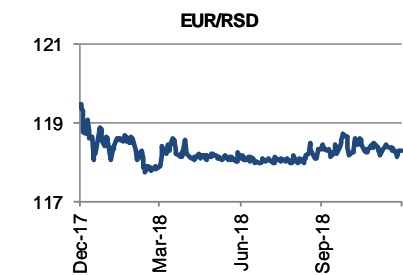
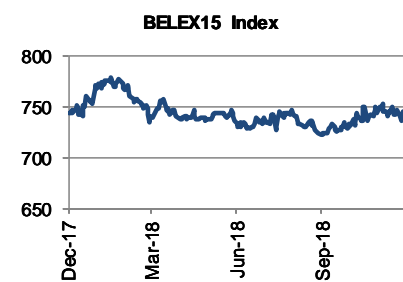
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-8
10-year	154	2	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.4	0.94%	-1.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.53	-0.05%	0.32%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.05	0	96
1-month	2.77	0	90
3-month	3.08	0	103
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.87	0	49
5Y RON	4.29	0	51
10Y RON	4.88	0	56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-1
USD Jan-24	4.46	0	146

CDS

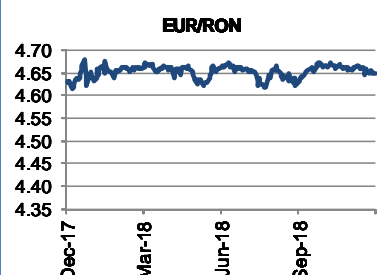
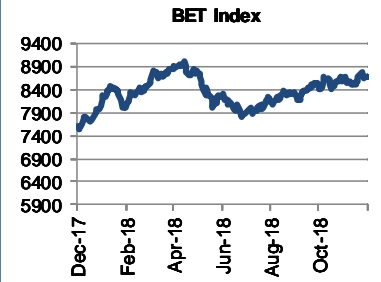
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	16

STOCKS

	Last	ΔD	ΔYTD
BET	8690.6	0.07%	12.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6479	-0.02%	0.36%



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	-0.05	1	1
5Y BGN	0.10	-1	-5
10Y BGN	0.77	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	0	9
EUR Sep-24	0.58	0	1

CDS

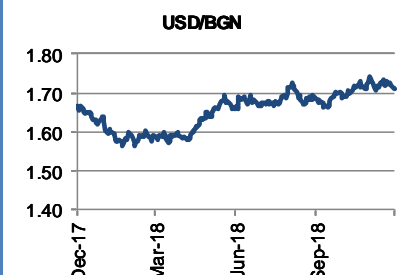
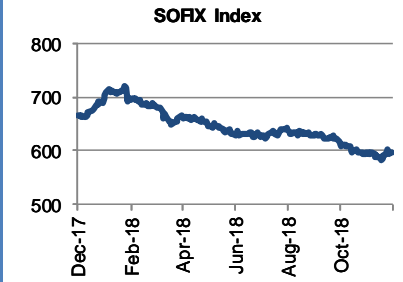
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	0	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.3	0.00%	-12.12%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7111	0.45%	-4.77%



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

Data updated as of 9:37 EEST

Monday 10 December 2018

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