

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:
 - Retails 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: Acknowledging that her government would have faced a heavy defeat, UK Prime Minister Theresa May cancelled the vote in the House of Commons on her proposed Withdrawal Agreement and Political Declaration, which was scheduled for today. Addressing the UK Parliaments, the UK Premier said that she will head to the European Council in Brussels ahead of the scheduled meeting on 13-14 December to seek further assurances that the Irish border "backstop" will be temporary. Responding to the UK Prime Minister, European Council President Donald Tusk said that EU leaders will discuss Brexit at the first day of this week's two-day summit although the issue was not on the agenda, making however clear that they will not renegotiate the deal. On the back of increased Brexit uncertainty, the GBP came under renewed heavy pressure while Gilts gained sharply.

GREECE: Speaking through webcast at the Capital Link 'Invest in Greece' conference in New York, Greek PM Alexis Tsipras called investors to trust Greece as a promising and safe investment destination highlighting the higher than 2% GDP growth, the primary surpluses attained in the past 4 years, and the reforms that have been implemented in the past few years. Meanwhile, at the same conference, European Commission Mission Chief for Greece Declan Costello stressed that the return of the SMP/ANFA profits will be approved only if Greece abides by its commitments in the context of the Enhanced Post Programme Surveillance. Meanwhile, according to ELSTAT the overall industrial production index (IPI) in October 2018 decreased 1.1%YoY while the CPI in November 2018 increased by 1.0%YoY against 1.1%YoY that it had increased in November 2017.

SOUTH EASTERN EUROPE

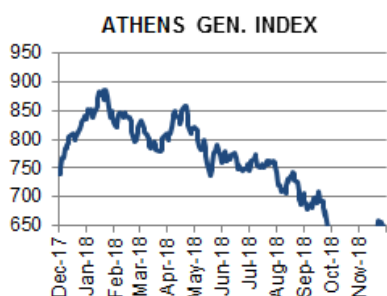
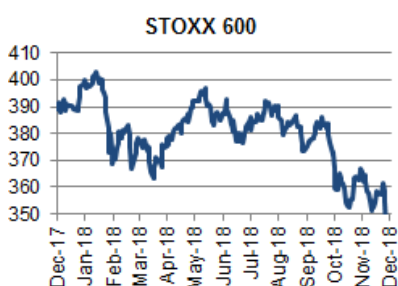
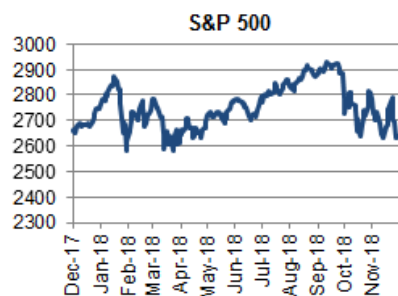
CESEE MACRO DEVELOPMENTS: According to preliminary data from the Statistical Office released last Friday, the Bulgarian economy expanded in Q3 by 3.1% YoY after growing by 3.4% in Q2. Growth for the same period came in at 0.7% on a quarterly basis vs 0.8% in Q2. Moving to Romania, according to preliminary statistical data released last Friday as well, GDP growth in Q3 came in at 4.3% YoY (vs 4.1% YoY in Q2) and 1.9% QoQ (vs 1.5% QoQ in Q2).

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Acknowledging that her government would have faced a heavy defeat, UK Prime Minister Theresa May cancelled the vote in the House of Commons on her proposed Withdrawal Agreement and Political Declaration, which was scheduled for today. Addressing the UK Parliaments, the UK Premier said that she listened carefully to the concerns of MPs from various political parties over the Irish border “backstop” and will head to the European Council in Brussels ahead of the scheduled meeting on 13-14 December to seek further assurances that the “backstop” will be temporary. Theresa May did not provide a new date for when the vote in the House of Commons will take place saying that this will depend on how talks with EU leaders will proceed. She acknowledged that, by law, if no Brexit deal has been approved by the UK Parliament by 21 January 2019, the government would be required to make a statement to Parliament about the next steps. Responding to the UK Prime Minister, European Council President Donald Tusk said that EU leaders will discuss Brexit at the first day of this week’s two-day summit although the issue was not on the agenda, making however clear that they will not renegotiate the deal.

On the back of increased Brexit uncertainty, the GBP came under renewed heavy pressure falling close to a 19-month low of 1.2500 against the USD yesterday, before recovering modestly to levels around 1.2600 in early European trade today, while the EUR/GBP tested levels above 0.9000 for the first time since early September. Meanwhile, the EUR/USD lost some ground standing around 1.1370/75 at the time of writing after hitting a three-week high of 1.1443 at some point yesterday favored by market uncertainty over how much further the Fed will raise interest rates following Friday’s weaker than expected US non-farm payrolls report and a recent string of dovish comments from Fed officials. Turning to government bond markets, UK Gilts gained with the 10-yr yield hovering around 1.23% at the time of writing, after falling to a one-year low of 1.16% on Monday.

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GREECE

Speaking through webcast at the Capital Link ‘Invest in Greece’ conference in New York, Greek PM Alexis Tsipras called investors to trust Greece as a promising and safe investment destination highlighting the higher than 2% GDP growth, the primary surpluses attained in the past 4 years, and the reforms that have been implemented in the past few years. Meanwhile, at the same conference, European Commission Mission Chief for Greece Declan Costello stressed that the return of the SMP/ANFA profits will be approved only if Greece abides by its commitments in the context of the Enhanced Post Programme Surveillance. More specifically, in the coming months the European Commission will focus primarily on the progress in the reduction of NPLs, the household insolvency framework, the reform of public administration and the revision of the level of the statutory minimum wage. With regard to the latter in particular, the first EPPS report cautioned that in order to safeguard competitiveness and keep unemployment on a downward path, the Greek authorities should engage in genuine consultation with the social partners in line with Law 4172/2013 before proceeding to the revision. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the overall industrial production index (IPI) in October 2018 decreased 1.1%YoY while year-to-date the average overall IPI rose by 0.7%YoY. The CPI in November 2018 increased by 1.0%YoY against 1.1%YoY that it had increased in November 2017. The average CPI for the 12 - month period from December 2017 to November 2018, compared with the corresponding index for the period December 2016 to November 2017 increased by 0.6%.

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Latest economic & market developments in the CESEE region

CESEE MACRO DEVELOPMENTS

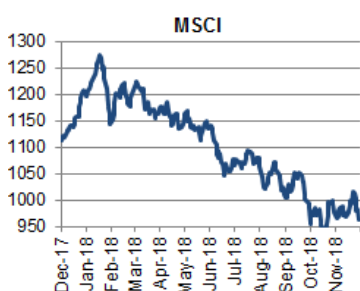
| BULGARIA: Indicators | 2016 | 2017e | 2018f |
|----------------------|--------|---------|-------|
| Real GDP growth % | 3.9 | 3.8 | 3.8 |
| CPI (pa, yoy %) | -0.8 | 2.1 | 2.4 |
| Budget Balance/GDP* | 1.6 | 0.8 | -1.0 |
| Current Account/GDP | 5.4 | 5.0 | 4.5 |
| EUR/BGN (eop) | 1.9558 | | |
| | 2016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

According to preliminary data from the Statistical Office released last Friday, the Bulgarian economy expanded in Q3 by 3.1% YoY after growing by 3.4% in Q2. Growth for the same period came in at 0.7% on a quarterly basis vs 0.8% in Q2. In terms of expenditure, the key growth contributors remain private consumption which grew by 7.7% YoY and forms ca 62.6% of Q3 GDP, gross fixed capital formation which expanded by 7% YoY and accounts for 17.4% of Q3 GDP and to a lesser extent, public consumption, which increased by 3.6% YoY and consists of 7.3% of Q3 GDP. Exports in Q3, albeit having contracted on a yearly basis by 3.6%, were not surpassed by imports which, however, grew stronger (+4% YoY) and thus, had a positive effect in GDP formation. In terms of activity, Q3 growth on a yearly basis is mainly attributed to real estate activities, which grew by 21.6% and, to a lesser extent, to all other sectors with the exception of agriculture, which contributed negatively as it shrunk by 1.9%.

Moving to Romania, according to preliminary statistical data released last Friday as well, GDP growth in Q3 came in at 4.3% YoY (vs 4.1% YoY in Q2) and 1.9% QoQ (vs 1.5% QoQ in Q2). Despite the slight improvement in the headline figure, the breakdown of GDP points to prolonged weakness in the economy following economic overheating. Growth is expected to moderate in 2019, mainly due to slowing private consumption amid softening wage and employment growth. For 2018 an annual growth rate of 4.0% is anticipated, while for 2019 the figure is expected to come in softer, i.e. ca 3.6%.

Later in the week we expect inflation data for November for many CESEE countries including Bulgaria, Romania, Serbia and the Czech Republic while later in the day trade balance data for Bulgaria referring in October will be published.

| 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+ |

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Tuesday 11 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 | 2637.72 | 0.2% | -1.3% | EUR/USD | 1.1382 | 0.2% | -5.2% | UST - 10yr | 2.87 | 1 | 46 | GOLD | 1248 | 0.3% | -4.2% |
| Nikkei 225 | 21148.02 | -0.3% | -7.1% | GBP/USD | 1.2605 | 0.4% | -6.8% | Bund-10yr | 0.26 | 2 | -17 | BRENT CRUDE | 60 | -0.6% | -10.9% |
| STOXX 600 | 341.97 | 0.9% | -12.1% | USD/JPY | 113.1 | 0.2% | -0.4% | JGB - 10yr | 0.05 | 1 | 0 | LME X | 2869 | -1.0% | -16.1% |

SERBIA

| Money Market | | | |
|--------------|------|-------|----------|
| BELIBOR | Last | ΔDbps | ΔYTD bps |
| T/N | 2.40 | -1 | -12 |
| 1-week | 2.53 | 0 | -8 |
| 1-month | 2.70 | 1 | -15 |
| 3-month | 3.05 | 0 | -7 |
| 6-month | 3.18 | 0 | -6 |

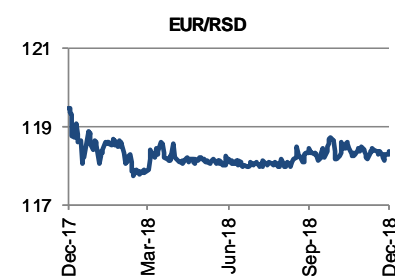
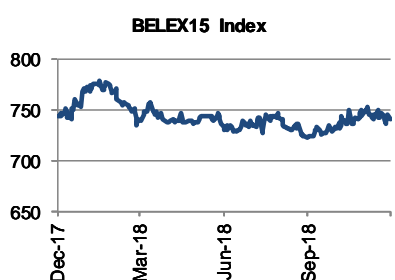
| RS Local Bonds | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 3Y RSD | 3.07 | -1 | -121 |
| 5Y RSD | 3.66 | 0 | -63 |
| 7Y RSD | 4.17 | 0 | -101 |

| RS Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| USD Feb-20 | 4.18 | 0 | 118 |

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

| STOCKS | | | |
|---------|-------|--------|--------|
| | Last | ΔD | ΔYTD |
| BELEX15 | 741.4 | -0.54% | -2.42% |

| FOREX | | | |
|---------|--------|--------|-------|
| | Last | ΔD | ΔYTD |
| EUR/RSD | 118.41 | -0.03% | 0.42% |



ROMANIA

| Money Market | | | |
|--------------|------|-------|----------|
| ROBOR | Last | ΔDbps | ΔYTD bps |
| O/N | 1.89 | 0 | 80 |
| 1-month | 2.73 | 0 | 86 |
| 3-month | 3.04 | 0 | 99 |
| 6-month | 3.36 | 0 | 109 |
| 12-month | 3.54 | 0 | 122 |

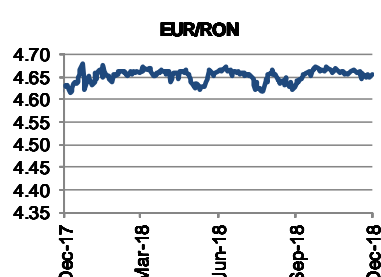
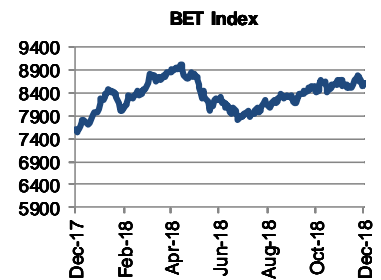
| RO Local Bonds | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 3Y RON | 3.83 | 0 | 45 |
| 5Y RON | 4.25 | 0 | 47 |
| 10Y RON | 4.87 | 0 | 56 |

| RO Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| EUR Oct-25 | 1.53 | 0 | -2 |
| USD Jan-24 | 4.47 | -1 | 147 |

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

| STOCKS | | | |
|--------|--------|-------|--------|
| | Last | ΔD | ΔYTD |
| BET | 8593.6 | 0.41% | 10.83% |

| FOREX | | | |
|---------|--------|--------|-------|
| | Last | ΔD | ΔYTD |
| EUR/RON | 4.6538 | -0.04% | 0.24% |



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 |

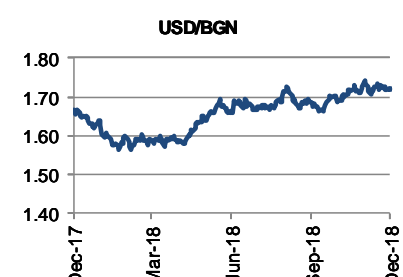
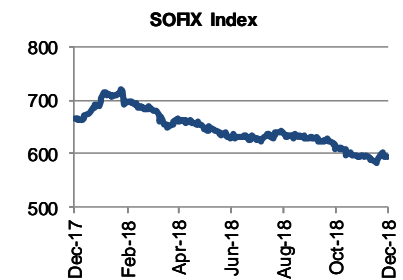
| BG Local Bonds | | | |
|----------------|-------|-------|----------|
| (yields) | Last | ΔDbps | ΔYTD bps |
| 3Y BGN | -0.02 | 2 | 4 |
| 5Y BGN | 0.13 | 3 | -2 |
| 10Y BGN | 0.77 | 0 | -20 |

| BG Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| EUR Mar-22 | 0.05 | -3 | 9 |
| EUR Sep-24 | 0.58 | 0 | 1 |

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

| STOCKS | | | |
|--------|-------|-------|---------|
| | Last | ΔD | ΔYTD |
| SOFIX | 593.2 | 0.00% | -12.44% |

| FOREX | | | |
|---------|--------|-------|--------|
| | Last | ΔD | ΔYTD |
| USD/BGN | 1.7185 | 0.22% | -5.18% |



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

Data updated as of 9:48 EEST

Tuesday 11 December 2018

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