

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Nov 14:
  - MBA Mortgage applications (9/11)
  - CPI (Oct)
- Nov 15:
  - Empire Manufacturing Survey (Nov)
  - Philadelphia Fed Business Outlook Survey (Nov)
  - Jobless claims (10/11)
  - Retail sales (Oct)
  - FOMC Chairman Jerome Powell speaks
- Nov 16: Industrial production (Oct)

#### EUROZONE

- Nov 13: ZEW economic sentiment indicator (Oct)
- Nov 14:
  - Industrial production (Sep)
  - GDP SA (Q3, prel)
- Nov 15: Trade balance (Sep)
- Nov 16: CPI (Oct, final)

#### UK

- Nov 13: Unemployment rate & wages (Sep)
- Nov 14: CPI (Oct)
- Nov 15: Retail sales (Oct)

#### SEE

##### BULGARIA

- Nov 12: Trade balance (Sep)
- Nov 14: CPI (Oct)
- Nov 15: Unemployment (Oct)

##### CYPRUS

- Nov 14: GDP (Q3, prel)

##### ROMANIA

- Nov 12:
  - Industrial output (Sep)
  - CPI (Oct)
- Nov 13: Current Account (Sep)
- Nov 14: GDP (Q3, adv)

##### SERBIA

- Nov 13: CPI (Oct)
- Nov 15: Current Account (Sep)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The GBP was under pressure across the board on mounting worries over a non-timely Brexit deal. Meanwhile, mounting Brexit jitters and concerns about a further increase in tensions between Italy and the European Commission over Italy's 2019 draft budget pushed the EUR/USD to the lowest level since June 2017. Elsewhere, core government bonds were firmer today favored by global equity markets' lackluster performance on the back of worries over the risk of a more pronounced than currently expected slowdown in China, the prospect of higher Fed interest rates ahead and higher oil prices. Saudi Arabia's energy minister announced a drop in oil supply by 500,000 bpd in December due to seasonal lower demand.

**GREECE:** The Euroworking Group (EWG) is reportedly expected to convene on Thursday 15 November in order for Greece to present amendments to its 2019 draft budgetary plan, which will ensure the attainment of the 2019 fiscal target (primary surplus of 3.5% of GDP) if the pre-legislated pension cuts are not implemented in 2019. According to ELSTAT, in October 2018 the consumer price index (CPI) recorded an annual increase of 1.8%.

### SOUTH EASTERN EUROPE

**BULGARIA:** The blue chip index SOFIX accomplished modest gains over the week, concluding at 597.76 points, i.e. +0.16% higher on a weekly basis.

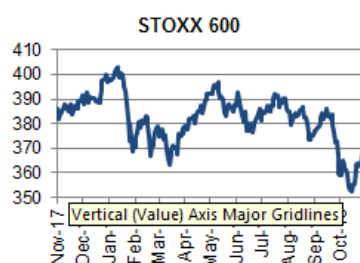
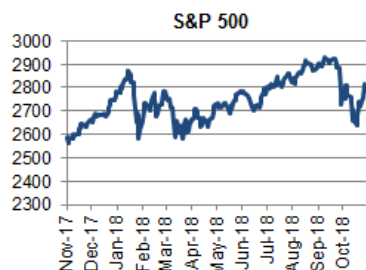
**SERBIA:** The EUR/RSD rate remained bound within a 118.20-118.50 trading range in the past week.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The GBP was under pressure across the board on mounting worries over a non-timely Brexit deal. The UK and the EU have failed so far to bridge their difference on the contentious issue of the Irish border backstop while hard Brexiteers within the conservative party oppose any deal that could potentially keep the UK closely tied to the EU after the end of the 21-month transition period in December 2020. According to UK press reports over the weekend, the EU rejected a plan submitted by UK Prime Minister Theresa May for an independent mechanism to oversee the UK's departure from any temporary Irish border backstop while four UK ministers are on the verge of quitting the government on the back of significant doubts over the Chequers plan. In addition to the above, Brexiteers conservative MPs and a leading member of the Democratic Unionist Party (DUP) from Northern Ireland have threatened to not back a Brexit deal in the parliament if it treated Northern Ireland differently from the rest of the country. The GBP/USD was 0.1% weaker on the day standing close to 1.2850/55 in European trade on Monday, the lowest level so far this month, while the EUR/GBP gained 0.2% compared to Friday's close marking a more than one-week high of 0.8773 earlier today. Mounting Brexit worries and concerns about a further increase in tensions between Italy and the European Commission over Italy's 2019 draft budget weighed on the EUR falling to 1.1240 against the USD earlier today, the lowest since June 2017. The deadline for the Italian government to submit a revised draft budget to the European Commission is approaching (Tuesday, 13 November) while, according to comments by high level Italian government officials, Italy is not expected to backtrack. Should this be the case, the European Commission is highly likely to consider recommending Italy for an Excessive Deficit Procedure. Meanwhile, the USD moved higher against its major currency peers with the DXY index marking a fresh 16-month peak of 97.578 today amid lingering expectations for further gradual Fed rate hikes ahead. Elsewhere, core government bonds were firmer today favored by global equity markets' lackluster performance on the back of worries over the risk of a more pronounced than currently expected slowdown in China, the prospect of higher Fed interest rates and higher oil prices after Saudi Arabia's energy minister announced a drop in oil supply by 500,000 bpd in December. Crude oil was around 2% higher on the day at levels close to \$71.50/per barrel having rebounded from Friday's seven-month intraday low of \$69.13/per barrel.

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### GREECE

The Euroworking Group (EWG) is reportedly expected to convene on Thursday 15 November in order for Greece to present amendments to its 2019 draft budgetary plan, which will ensure the attainment of the 2019 fiscal target (primary surplus of 3.5% of GDP) if the pre-legislated pension cuts are not implemented in 2019. According to press reports, the European Commission will not object to the suspension of this measure, although the final decision will be made by Euro area Finance Ministers potentially at the extraordinary Eurogroup meeting of 19 November. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), in October 2018 the consumer price index (CPI) recorded an annual increase of 1.8%. For the twelve month period Nov 2017 – Oct 2018, CPI increased 0.6%YoY compared to an increase of 0.9%YoY that was recorded in the period Nov 2016 – Oct 2017. In October 2018 core CPI rose by 0.3%YoY while in October 2017 it had increased 0.2%YoY.

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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

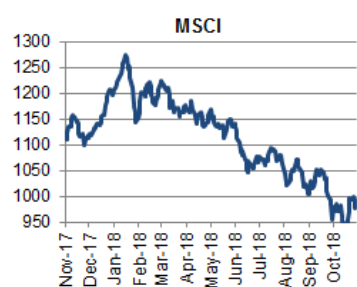
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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\*

The blue chip index SOFIX accomplished modest gains over the week, concluding at 597.76 points, i.e. +0.16% higher on a weekly basis. Weekly turnover continued to be relatively low at EUR1.127mn. External government yields remained unchanged for the most part with the largest mover being the paper expiring in 2035 with a yield increase of 3.3 bps. Local papers also remained flat with yields dropping by 2 bps across the board.

### SERBIA\*

The EUR/RSD rate faced difficulties in reconquering the 118.60 quote thus spilling over a slightly bearish sentiment in the previous week. In any case, corrective movements are anticipated by the National Bank of Serbia if the range approaches 118.10 in order to keep the EURRSD range within the 118.00 – 118.60 range.

Apart from maintaining the key policy rate (KPR) unchanged at 3% last Thursday, the NBS decided to impose caps on the maximum and minimum EUR/RSD rate that official exchange offices are allowed to provide to private individuals. According to the aforementioned measures, operators will be able to launch bid and offer rates at maximum  $\pm 1.25\%$  over and above the official middle exchange rate for the given day.

\*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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Monday 12 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	2781.01	-0.9%	4.0%	EUR/USD	1.1261	-0.7%	-6.2%	UST - 10yr	3.18	0	78	GOLD	1205	-0.4%	-7.5%
Nikkei 225	22269.88	0.1%	-2.2%	GBP/USD	1.2863	-0.8%	-4.9%	Bund-10yr	0.40	-1	-3	BRENT CRUDE	72	2.1%	7.2%
STOXX 600	365.74	-0.4%	-6.0%	USD/JPY	114.15	-0.3%	-1.3%	JGB - 10yr	0.12	0	7	LME X	2880	-1.5%	-15.8%

### SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.45	0	-7
1-week	2.58	1	-3
1-month	2.70	0	-15
3-month	3.01	2	-11
6-month	3.15	0	-9

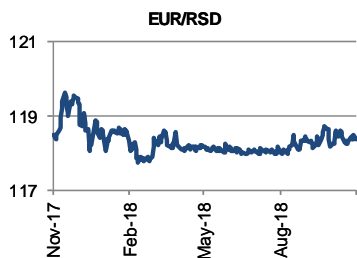
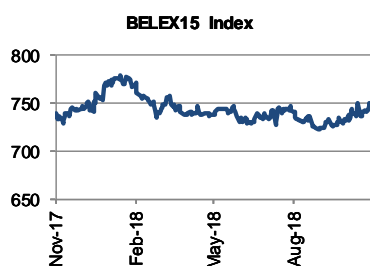
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-121
5Y RSD	3.59	0	-71
7Y RSD	4.17	0	-101

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.12	1	112

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-5
10-year	155	0	-7

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	744.6	-0.64%	-2.01%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.40	0.07%	0.43%



### ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.6	0	151
1-month	3.1	0	123
3-month	3.2	0	115
6-month	3.45	0	118
12-month	3.59	0	127

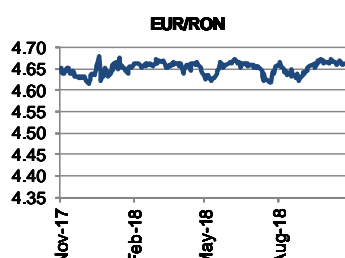
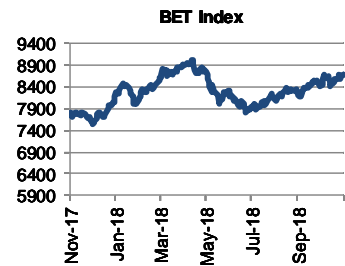
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	64
5Y RON	4.41	0	63
10Y RON	4.91	0	60

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	4.37	-2	137

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	146	0	12

STOCKS			
	Last	ΔD	ΔYTD
BET	8670.8	0.16%	11.83%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6577	0.01%	0.15%



### BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
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

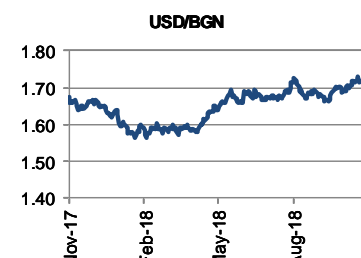
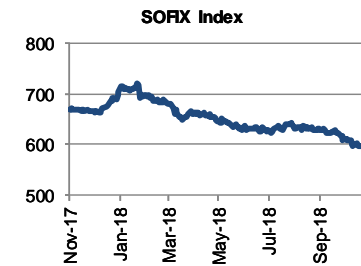
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	-1	0
5Y BGN	0.07	-3	-8
10Y BGN	0.78	0	-18

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	-46	13
EUR Sep-24	0.59	-92	1

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	126	0	-15

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	597.8	0.46%	-11.76%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7369	-0.66%	-6.19%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 9:56 EEST

Monday 12 November 2018

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