

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: According to press reports, UK Premier Theresa May is likely to face a leadership challenge later today. If she does lose—a simple majority of votes against her by conservative MPs would suffice—an interim leader will have to be appointed, further complicating the Brexit process. Against a broadly firmer USD, the GBP extended its recent losses while the EUR/GBP continued to trade above 0.9000 for the third session in a row. Turning to Eurozone government bond markets, the 10-yr BTP-Bund yield spread was narrower on the day ahead of a meeting later today between Italian Prime Minister Giuseppe Conte and EU President Jean-Claude Juncker to discuss possible revisions to the 2019 budget law. However, the 10-yr OAT-Bund yield spread continued to stand close to Tuesday's multi-month closing peak on market concerns that the measures French President Emmanuel Macron announced in response to the 'yellow vest' protests will push the 2019 budget deficit above the 3.0% of GDP EU ceiling.

GREECE: The out-of-court workout mechanism will be extended by one year, i.e. until 31 December 2019, while recent technical and legal improvements to the mechanism are expected to yield improved efficiency. Meanwhile, according to the Hellenic Statistical Authority (ELSTAT), the Index of Wages Cost (for the whole economy excl. primary sector and activities of households) for the 3rd quarter 2018, seasonally adjusted but not adjusted for the number of working days, recorded an increase of 4.6%, compared with the corresponding index of the 3rd quarter of 2017.

SOUTH EASTERN EUROPE

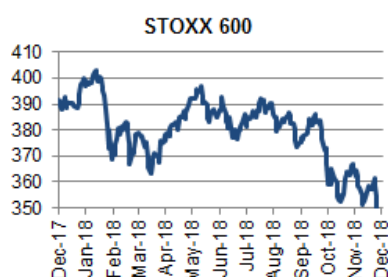
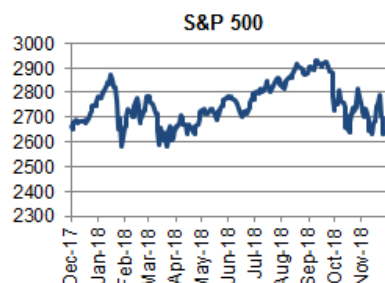
CYPRUS: The latest GDP growth estimate for Q3-2018 – an inch higher compared to the flash CYSTAT estimate – suggests that the economic cycle peak is most probably behind us.

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.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to press reports, UK Premier Theresa May is likely to face a leadership challenge later today. As per the same sources, her decision to postpone the parliamentary vote on her Brexit deal infuriated lawmakers from all political parties, from hardline Brexit supporters to those who favor the UK remaining in the EU. The threshold for triggering a vote of confidence in Theresa May as conservative party leader has reportedly been met as the Chair of the 1922 Committee is said to have received letters from 48 Conservative MPs (15% of the parliamentary group) asking for a vote of confidence. If Theresa May does lose—a simple majority of votes against her by conservative MPs (i.e. 158) would suffice—an interim leader will have to be appointed, further complicating the Brexit process. Against a broadly firmer USD supported by higher US Treasury yields in reaction to an unexpected 0.1% mom rise in US November produce prices and equity markets' improved performance, the GBP extended its recent losses falling to a fresh 20-month low of 1.2475 earlier today, having declined by c. 5% cumulatively from the early November peak. Meanwhile, the EUR/GBP continued to trade above 0.9000 for the third session in a row, hovering around Monday's 3½ month intraday peak of 0.9087.

Turning to Eurozone government bond markets, the 10-yr Bund yield dropped to a new multi-month low of 0.224% on Tuesday before rising to levels around 0.235% in early European trade today as comments by US President Donald Trump that he would be open to meeting the Chinese President Xi Jinping again and news that China agreed to cut tariffs on imported US cars to 15% from 40% currently, favored market sentiment towards risk assets. Meanwhile, the 10-yr BTP-Bund yield spread was 2.5bps narrower on the day standing close to 285bps at the time of writing ahead of a meeting later today between Italian Prime Minister Giuseppe Conte and EU President Jean-Claude Juncker to discuss possible revisions to the 2019 budget law ahead of the 13-14 December EU Summit. However, the 10-yr OAT-Bund yield spread continued to stand close to Tuesday's closing peak of 47.4bps, the highest since May 2017, on market concerns that the measures French President Emmanuel Macron announced in response to the 'yellow vest' protests will push the 2019 budget deficit from 2.8% of GDP initially expected to levels above the 3.0% EU ceiling.

ppetropoulou@eurobank.gr

GREECE

The out-of-court workout mechanism will be extended by one year, i.e. until 31 December 2019, while recent technical and legal improvements to the mechanism are expected to yield improved efficiency. Nevertheless, in spite of the extension, it will most likely still not apply for debts that were created in 2018 but only to those up to end-2017. In other news, according to press, foreign interest for Greece was strong at the Capital Link 'Invest in Greece' conference in New York, nevertheless, concerns were reportedly expressed regarding the commitment to reforms and privatisations, the reduction of NPLs and the political developments in 2019, which is a general elections year. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the Index of Wages Cost (for the whole economy excl. primary sector and activities of households) for the 3rd quarter 2018, seasonally adjusted but not adjusted for the number of working days, recorded an increase of 4.6%, compared with the corresponding index of the 3rd quarter of 2017, while a decrease of 0.7% was recorded when comparing the corresponding index of 2017 with that of 2016.

andimitriadou@eurobank.gr²

Latest economic & market developments in the CESEE region

CYPRUS

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

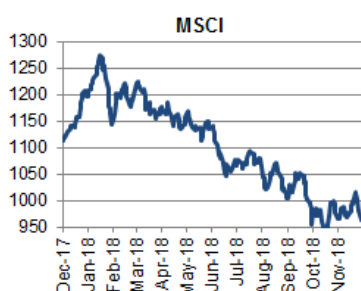
* on a cash basis

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+

The second and latest estimate of CYPSTAT on the seasonally adjusted Q3-2018 GDP-reading revised the flash estimate of 0.7% QoQ/3.6% YoY by an inch higher to 0.8% QoQ/3.7% YoY. This strong reading compares to 0.8% QoQ/4.0% YoY in Q2-2018, 1.1% QoQ/4.1% YoY in Q1-2018 vs. 1.0% QoQ/3.5% YoY in Q4-2017, up from 1.1% QoQ/4.4% YoY in Q3-2017.

From a demand point of view, final consumption dynamics were strong for yet another quarter. The final consumption rebound continued into Q3-2018, making a +3.1ppts contribution to GDP growth. Final consumption expanded by 0.6% QoQ/3.7% YoY in Q3-2018 compared to 1.7% QoQ /+4.9% YoY in Q2-2018, and +0.2% QoQ/+3.8% YoY in Q1-2018, and up from 1.3% QoQ/+3.4% YoY in Q4-2017 compared to +1.6% QoQ/+4.4% YoY in Q3-2017. The consumption rally is underpinned by a number of factors, which all boil down to the rise of disposable incomes and the propensity to consume, namely: The sustained sentiment improvement mirroring the earlier lasting progress within the programme, a flourishing tourism sector, improved labor market conditions, further property market stabilization, the impact from the fiscal relaxation after the graduation from the programme and the acceleration of public consumption in Q3-2018.

As far as the other growth components are concerned, there are two points to make. First, investments' volatile performance continued in this quarter too driven by higher construction - for both residential and infrastructure projects - and higher transportation equipment spending related to shipbuilding. Investment spending in Q3-2018, at constant prices, was significantly higher on an annual basis compared to Q3-2017 (+31.5% YoY), thereby having a significant positive contribution to GDP growth, which reached +5.6 ppts. Second, the positive investments' performance was more than offset by the net exports' negative contribution, a trend we witnessed again in Q1-2018. The contribution of net exports amounted to -5.0ppts. In Q2-2018 we actually witnessed a combined effect from both exports remaining contained at -5.4% QoQ/-5.0% YoY, and imports rising by -2.6% QoQ/+2.8% YoY. The slowdown in export activity reflects a sizeable quarterly decrease in the exports of goods' volume (-24.3% QoQ/-22.5% YoY). On top, exports of services failed to impress (-0.2% QoQ/-0.2% YoY) despite the kick-in of the tourism season.

Overall, GDP growth came in at 3.9% in 9M-2018, among the strongest in the post-Lehman period, surpassing the most optimistic forecasts, compared to 4.2% in 2017, 4.8% YoY in 2016 and only 2.0% YoY in 2015. Although softer readings are anticipated in the coming quarters, suggesting that the peak of economic activity is already behind us, the growth momentum of the Cypriot economy is sustained in 2018-2019 supported by a stream of ongoing investments projects.

igkionis@eurobank.gr

Wednesday 12 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	2636.78	0.0%	-1.4%	EUR/USD	1.1329	0.1%	-5.6%	UST - 10yr	2.89	1	48	GOLD	1244	0.1%	-4.5%
Nikkei 225	21602.75	2.2%	-5.1%	GBP/USD	1.253	0.3%	-7.3%	Bund-10yr	0.24	1	-19	BRENT CRUDE	61	0.6%	-9.4%
STOXX 600	346.00	0.5%	-11.1%	USD/JPY	113.44	0.0%	-0.7%	JGB - 10yr	0.06	1	1	LME X	2893	0.8%	-15.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.40	0	-12
1-week	2.52	-1	-9
1-month	2.69	-1	-16
3-month	3.05	0	-7
6-month	3.17	-1	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.09	2	-119
5Y RSD	3.64	0	-66
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.14	0	114

CDS

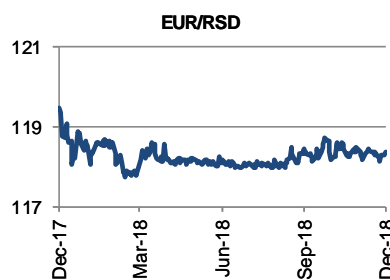
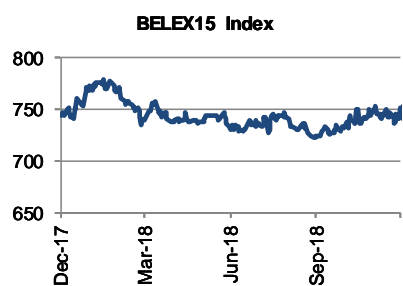
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	752.0	1.43%	-1.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.41	-0.04%	0.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.77	0	68
1-month	2.68	0	81
3-month	3.04	0	99
6-month	3.35	0	108
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.77	0	39
5Y RON	4.17	0	39
10Y RON	4.73	0	41

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.42	-1	142

CDS

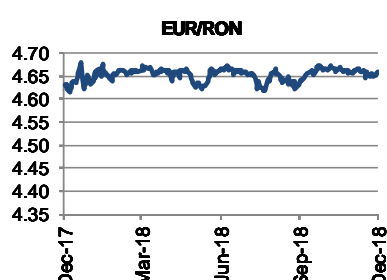
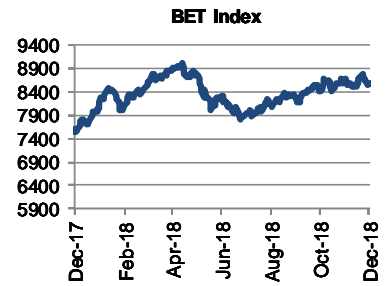
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	16

STOCKS

	Last	ΔD	ΔYTD
BET	8564.2	-0.20%	10.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6596	-0.06%	0.11%



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	0	2
5Y BGN	0.11	0	-3
10Y BGN	0.76	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	0	9
EUR Sep-24	0.58	0	1

CDS

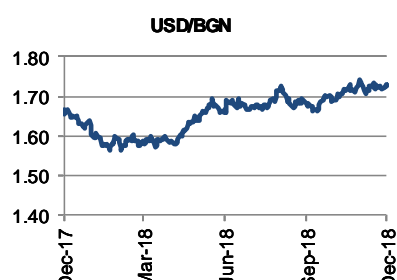
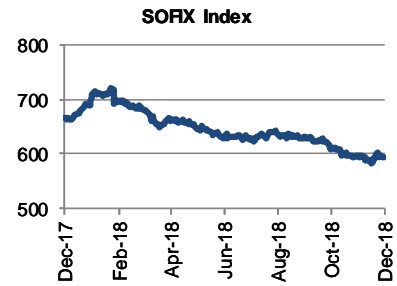
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	593.2	0.00%	-12.43%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7264	0.12%	-5.62%



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

Data updated as of 10:14 EEST

Wednesday 12 December 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
magiannisi@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

