

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: Major European bourses opened in positive territory today amid hopes for a de-escalation of trade frictions between the world's two biggest economies. Meanwhile, Italy's sovereign paper remained under pressure with the 10-yr BTP/Bund yield spread widening further amid fears over a further increase in tensions between Italy and the European Commission on Italy's 2019 draft budget. The deadline that the European Commission has given the Italian government for the submission of a revised draft budget that complies with the provisions of the Stability and Growth Pact expires today. In FX markets, the USD retained a positive tone across the board favored by market fears over a growing rift over Italy's budget and a disorderly hard Brexit.

GREECE: Negotiations on Greece's draft budgetary plan for 2019 are in the final stage and a clearer picture may be attained at the 15 November Euroworking Group, which will also reportedly discuss the first review of the European institutions on Greece under the Enhanced Post Programme Surveillance. Under this timetable, the 2019 state budget is expected to be finalised at the extraordinary 19 November Eurogroup and submitted to the Greek Parliament on 21 November. In other news, the Hellenic Competition Commission is reportedly scheduled to discuss today the acquisition by DEPA of 49% of EPA Attica currently owned by Shell.

SOUTH EASTERN EUROPE

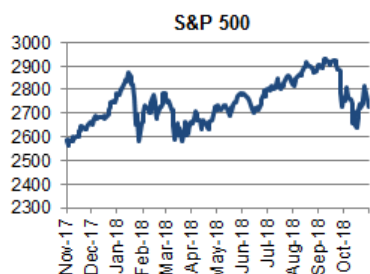
CESEE MACRO DEVELOPMENTS: According to the Autumn European Commission Forecast, published last Thursday, the European economy has moved into lower gear with risks skewed to the downside. In detail, while GDP growth in EU-28 is expected to come in at 2.1% YoY in 2018 before moderating further to 1.9% YoY and 1.8% in 2019 and 2020, respectively, developing economies of the CESEE area are expected to expand more briskly at an average rate of ca 3% YoY in 2018, 3.2% YoY in 2019 and 2.7% YoY in 2020.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking Wall Street's losses overnight, Asian bourses opened lower today but then recovered some ground, posting modest gains or ending off session lows, amid hopes for a de-escalation of trade frictions between the world's two biggest economies. According to press reports, Chinese Vice Premier Liu He may visit Washington to hold talks with US Treasury Secretary Steven Mnuchin, as part of the preparations for the meeting between US President Donald Trump and his Chinese counterpart Xi Jinping later this month on the sidelines of the G20 meeting in Argentina. Turning to core government bond markets, US Treasuries retained a positive tone with 10-yr yields standing 1.6bps lower on the day at around 3.17% at the time of writing in European trade, the lowest in more than a week, favored by hefty losses in US equity indices overnight. Meanwhile, 10-yr Bund yields were some 1.5bps higher on the day hovering around 0.40% at the time of writing on the back of supply jitters and European bourses' positive tone in early trade today. Focus today is on German ZEW economic sentiment for November and the release of Q3 GDP preliminary data in Germany, which is likely to show a slowdown in economic activity mainly due to specific factors in the automotive sector, potentially preventing any further substantial increase in Bund yields. Meanwhile, Italy's sovereign paper remained under pressure with the 10-yr BTP/Bund yield spread widening close to 308bps, the widest in around two weeks, amid fears over a further increase in tensions between Italy and the European Commission on Italy's 2019 draft budget. The deadline that the European Commission has given the Italian government for the submission of a revised draft budget that complies with the provisions of the Stability and Growth Pact expires today. Unless the government complies with the European Commission's request, the latter is likely to initiate an excessive deficit procedure against Italy later this month. In FX markets, the USD retained a positive tone across the board with the EUR/USD standing just 0.2% higher from Monday's 16 ½ month closing low pressured by fears over a growing rift over Italy's budget and mounting worries over a disorderly hard Brexit.

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GREECE

Negotiations on Greece's draft budgetary plan for 2019 are in the final stage and a clearer picture may be attained at the 15 November Euroworking Group, which will also reportedly discuss the first review of the European institutions on Greece under the Enhanced Post Programme Surveillance. Under this timetable, the 2019 state budget is expected to be finalised at the extraordinary 19 November Eurogroup and submitted to the Greek Parliament on 21 November. As regards the use of the available fiscal space, according to press sources, the European institutions are favouring a more generous rent subsidy on the grounds that it will relieve weaker households, boost consumption and contribute to the reduction of non-performing loans. Other expansionary measures that may be adopted reportedly include: the reduction of the social security contributions of freelancers and farmers, the subsidy of social security contributions of young workers, the reduction of the property tax, the reduction of income tax rates, the reduction of dividends' tax rate and the enhancement of special education schools and the 'help at home' programme. In other news, the Hellenic Competition Commission is reportedly scheduled to discuss today the acquisition by DEPA of 49% of EPA Attica currently owned by Shell. The approval for the deal will open the way for the partition of the DEPA into DEPA network and DEPA commercial, and the sale of a 50.1% stake of the latter by HRADF. In the coming days, the Ministry of Energy is expected to table to Parliament for approval the details regarding the breaking-up of DEPA.

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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

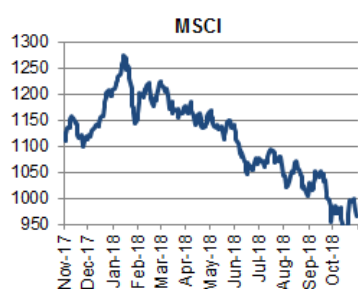
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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+

CESEE MACRO DEVELOPMENTS

According to the Autumn European Commission Forecast, published last Thursday, the European economy has moved into lower gear with risks skewed to the downside. In detail, while GDP growth in EU28 is expected to come in at 2.1% YoY in 2018 before moderating further to 1.9% YoY and 1.8% in 2019 and 2020 respectively, developing economies of the CESEE area are expected to expand more broadly at an average rate of ca 3% YoY for 2018, 3.2% YoY for 2019 and 2.7% YoY for in 2020.

Bulgaria's GDP growth is expected to reach 3.5% YoY for 2018, driven by strong domestic demand dynamics as seen in the first half of this year. In 2019 and 2020, real GDP growth is forecast to increase marginally to 3.7% YoY and 3.6% YoY respectively with domestic demand remaining the engine of growth for both years.

The Romanian economy has started to cool down in 2018. GDP growth slowed from 4.3% YoY in Q1 to 4.2% YoY in Q2 and is expected to slow further. For the FY2018, GDP growth is forecast at 3.6% YoY while for 2019 and 2020 it is projected to expand 3.8% YoY and 3.6% YoY respectively with private consumption expected to be the key growth factor for the aforementioned period.

With shifting up a gear of ca 5% YoY in H1 2018 with regards to GDP growth, Serbian GDP is expected to expand by 4.1% YoY by year end and by 3.8% YoY for 2019 and 2020. Apart from private consumption, which is the common denominator for the GDP growth for all regional economies, GDP growth is also broadly based on double digit investment growth (23% YoY on average for 2015-2017 and forecast to reach 17.7% YoY in 2018 and 11.2% YoY in 2019), which, however, is expected to slow down to 3% YoY by the end of 2020.

Finally, regarding Turkey, the high economic growth of recent years came with tangible risks which are now materializing. In brief, after growing by 6.2% YoY in H1 2018, there are signals that the economy is slipping to a recession due to rapid deterioration in external conditions along with matured intrinsic vulnerabilities such as the high current account deficit, the increasing external debt denominated both in foreign and domestic currency, the high inflation (ca 25% YoY in October) and the deteriorating business climate. That said, GDP growth for 2018 is expected to come in at 3.8% YoY slipping into -1.5% YoY in 2019 before returning back to 3% YoY in 2020.

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Tuesday 13 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	2726.22	-2.0%	2.0%	EUR/USD	1.123	0.1%	-6.5%	UST - 10yr	3.17	-1	76	GOLD	1202	0.1%	-7.8%
Nikkei 225	21810.52	-2.1%	-4.2%	GBP/USD	1.2893	0.3%	-4.6%	Bund-10yr	0.40	0	-3	BRENT CRUDE	69	-1.2%	3.6%
STOXX 600	363.95	0.5%	-6.5%	USD/JPY	114.11	-0.2%	-1.2%	JGB - 10yr	0.11	-1	7	LMEX	2867	-0.5%	-16.1%

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

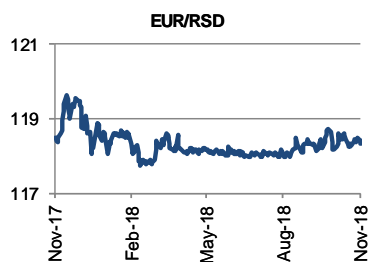
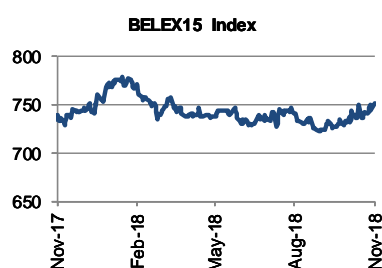
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.10	3	-118
5Y RSD	3.59	0	-71
7Y RSD	4.17	0	-101

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.12	0	112

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	155	0	-7

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	752.1	1.02%	-1.01%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.42	-0.95%	0.41%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	-1	150
1-month	3.1	0	123
3-month	3.19	0	114
6-month	3.43	0	116
12-month	3.58	0	126

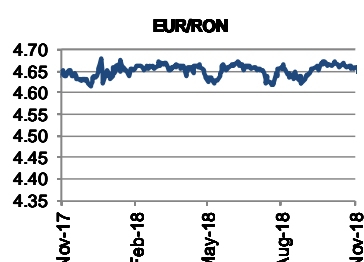
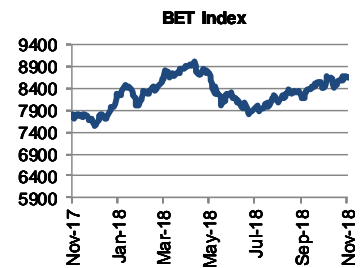
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	4.05	0	67
5Y RON	4.44	0	66
10Y RON	4.92	0	61

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	-1
USD Jan-24	4.39	0	139

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

STOCKS			
	Last	ΔD	ΔYTD
BET	8649.3	-0.14%	11.55%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6571	-0.02%	0.17%



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

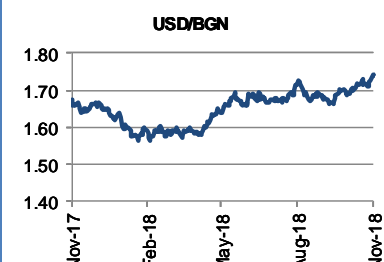
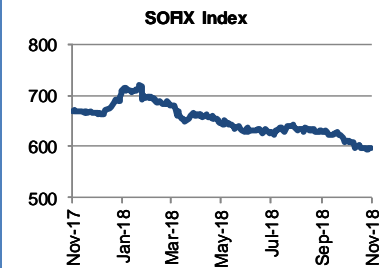
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	0	0
5Y BGN	0.08	3	-6
10Y BGN	0.78	0	-18

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	-2	10
EUR Sep-24	0.59	0	2

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

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	596.7	0.11%	-11.92%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7415	0.11%	-6.44%



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

Data updated as of 10:56 EEST

Tuesday 13 November 2018

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