

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: Global equity markets ended firmer yesterday and the modestly improved tone continued in Asia and in early trade in Europe earlier today, supported by increased optimism on easing US/China trade tensions. Turning to the EMU periphery sovereign bonds, Italy outperformed with the 10-yr BTP yield falling close to a three month low of 2.92% following Prime Minister Giuseppe Conte's announcement that his government proposed to the European Commission a reduction in the 2019 budget deficit target from 2.4% to 2.04% of GDP. In FX markets, the GBP gained some ground after UK Prime Minister Theresa May won late yesterday a vote of confidence in her leadership by the Conservative Party. Today's main event is the ECB monetary policy meeting where the Central Bank is expected to formally end its bond purchases programme but will likely adopt an overall more dovish tone raising the risk that a rate hike may be delayed by more than expected.

GREECE: On privatisations, the Greek government is reportedly making an effort to achieve the financial closing of DESFA and AIA and launch the tender for the casino at Hellinikon before the end of the year.

SOUTH EASTERN EUROPE

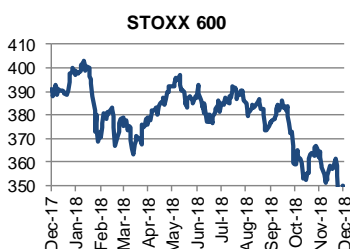
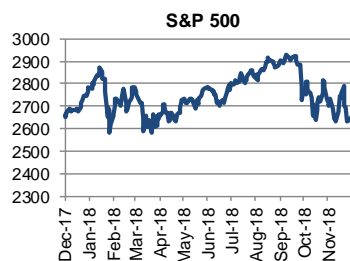
CYPRUS: The stock of NPEs decreased by only €15mn in August on top of €24mn in July- with the NPEs of CCB carve out -yet to be reflected in the official data, bringing the NPEs ratio marginally up to 40.4%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets ended firmer yesterday and the modestly improved tone continued in Asia and in early trade in Europe earlier today supported by increased optimism on easing US/China trade tensions. Newswires suggested yesterday that Chinese state-owned companies made their first major soybean purchase from the US in more than six months, suggesting that China is delivering on the promise in the 90-day trade ceasefire agreement reached between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting on December 1. Furthermore, unconfirmed reports conveyed that China will delay its "Made in China 2025" strategy by a decade. The improved tone in global equity markets and a lackluster 10-yr auction weighted on US Treasuries with the 10-yr yield rising close to a four-day high of 2.91% early today. Turning to the EMU periphery sovereign bonds, Italy outperformed with the 10-yr BTP yield falling close to a three month low of 2.92% following Prime Minister Giuseppe Conte's announcement that his government proposed to the European Commission a reduction in the 2019 budget deficit target from 2.4% to 2.04% of GDP. In FX markets, the GBP gained some ground after UK Prime Minister Theresa May won late yesterday a vote of confidence in her leadership by the Conservative Party. Out of 317 Conservative MPs, 200 voted in favor and the remaining 117 against. But her loss of support from more than a third of her party, suggests that Conservative MPs are deeply divided over her leadership and her handling of the Brexit process. The two-day EU Summit begins today with Brexit on the agenda but EU officials have made clear that they do not intend to renegotiate the legally binding withdrawal agreement. However, European Council President Donald Tusk has expressed willingness on behalf of EU officials to "discuss how to facilitate UK ratification" through the provision of some "further clarifications and further interpretations". Today's main event is the ECB monetary policy meeting where the Central Bank is expected to formally end its bond purchases programme but will likely adopt an overall more dovish tone raising the risk that a rate hike may be delayed by more than expected.

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GREECE

On privatisations, the Greek government is reportedly making an effort to make some progress in some important privatisation project before the end of the year. The first one concerns DESFA, where the Regulatory Authority for Energy (RAE) is reportedly scheduled to convene today regarding the certification of DESFA, which is reportedly the only remaining pending action for the financial closing of the sale agreement. The state will receive EUR251mn, which the 2019 state budget foresees to be received in 2018. The second one is the 20-year concession of the Athens International Airport, for a total consideration of EUR1,115mn, also forecast for 2018. The financial closing of the agreement requires its approval by the Parliament, which means that the relevant bill must be submitted to Parliament by 19 December at the latest. The last privatisation is Hellinikon, where, according to press reports, the Greek government, the Gaming Commission and the Hellinikon concessionaire are engaged in deliberations in an effort to close all pending actions and launch the tender for the casino before the end of the year. Meanwhile, as regards DEPA, the bill for its separation into two entities, one for the network and one for the retail business – a pre-requisite for the initiation of the privatisation process – is expected to be submitted to Parliament in January. Finally, with regard to the divestiture of the lignite-fired units of PPC, the deadline for the submission of binding offers has reportedly been moved to January 7.

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Latest economic & market developments in the CESEE region

CYPRUS

According to data released by the Central Bank of Cyprus, the stock of non-performing exposures (NPEs) decreased by only €15mn in August on top of €24mn in July compared to €3.3bn in June, bringing the stock of NPEs down by 39.3% over the period from December 2014 to July 2018. Deleveraging of the banking sector continues. Total loan exposures (performing plus non-performing) decreased by €107mn from €41,155mn in July 2018 to €41,048, which is a slightly larger drop than the decrease in their non-performing component alone. Despite the deleveraging, the ratio of NPEs (non-performing to total exposures) remained flat on a monthly basis at 40.4% in July 2018, compared to 43.7% in December 2017, 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€6.4bn out of €9.2bn in August 2018). Overall, the carve-out of the Cyprus Co-operative Bank (CCB) NPEs is yet to be reflected in the official data. The resolution of the case of CCB is a game changer in the battle to address the thorny issue of NPEs. The sizeable amount of NPEs removed from the banking sector (approximately €6bn) will allow for an important – but one-off – decline in the NPEs ratio further down to 30%.

Further progress in the area of NPEs relies upon the swift implementation of the “ESTIA” plan, a subsidy scheme introduced by the government to help vulnerable groups of distressed borrowers, and upon the reformed insolvency and foreclosures frameworks. The ESTIA plan incentivizes both parties, creditors (the banks) and debtors (borrowers), to come into an agreement on restructuring first residence mortgage loans in the red. Earlier, on December 3rd, the European Commission had approved the “ESTIA” plan, concluding that the scheme is well-targeted, limited in time and scope and will not create undue distortions of competition as required by the EU state aid rules. The scheme, which has an annual budget of around €33mn, sets strict eligibility criteria in terms of the value of the primary residence (a maximum value of €350,000) and income of the borrower to ensure it is targeted at those in need. However, the announced criteria of eligibility for the ESTIA have been heavily criticized publicly as overly generous and inducing moral hazard. According to news media, at the time of the writing, the endorsement of the scheme has been subject to a heated debate among political parties, which may ultimately result in a delay of its implementation given that the ruling party (DHSY) doesn't hold parliamentary majority.

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

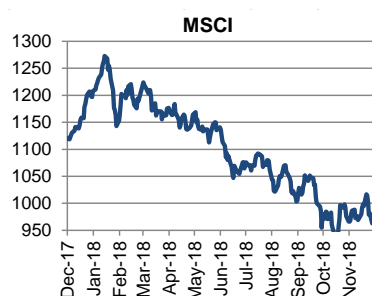
* on a cash basis

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



L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

Thursday 13 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	2651.07	0.5%	-0.8%	EUR/USD	1.1376	0.1%	-5.2%	UST - 10yr	2.90	-1	49	GOLD	1245	-0.1%	-4.5%
Nikkei 225	21816.19	1.0%	-4.2%	GBP/USD	1.2662	0.3%	-6.4%	Bund-10yr	0.28	0	-15	BRENT CRUDE	60	0.0%	-10.0%
STOXX 600	349.28	-0.2%	-10.3%	USD/JPY	113.49	-0.2%	-0.7%	JGB - 10yr	0.06	0	1	LME X	2885	-0.3%	-15.6%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.39	-1	-13
1-week	2.52	0	-9
1-month	2.69	0	-16
3-month	3.05	0	-7
6-month	3.17	0	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-2	-120
5Y RSD	3.64	0	-66
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.11	-1	112

CDS

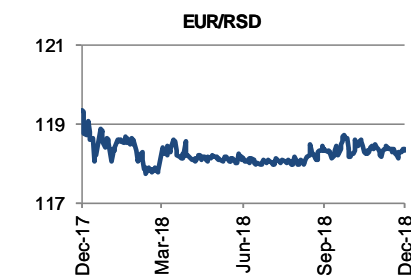
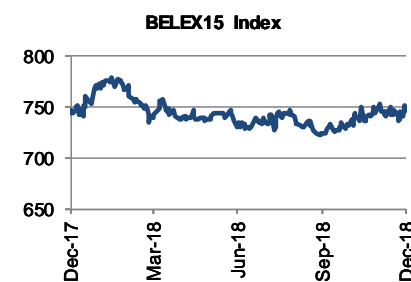
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	748.5	0.38%	-1.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	-0.02%	0.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.72	0	63
1-month	2.69	2	82
3-month	3.04	0	99
6-month	3.34	0	107
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.77	0	39
5Y RON	4.15	0	37
10Y RON	4.73	0	42

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	#N/A	N/A
USD Jan-24	4.37	-1	137

CDS

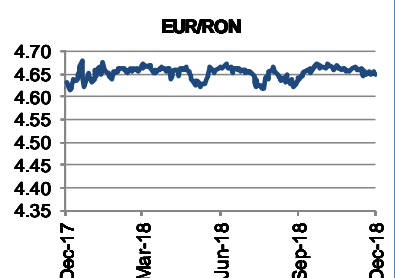
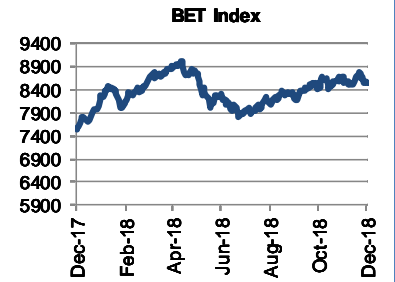
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	16

STOCKS

	Last	ΔD	ΔYTD
BET	8550.0	-0.21%	10.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6495	0.06%	0.33%



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	0	4
5Y BGN	0.11	-1	-3
10Y BGN	0.76	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	0	8
EUR Sep-24	0.57	0	-1

CDS

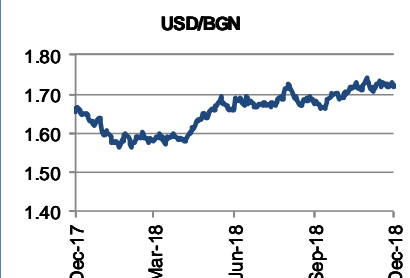
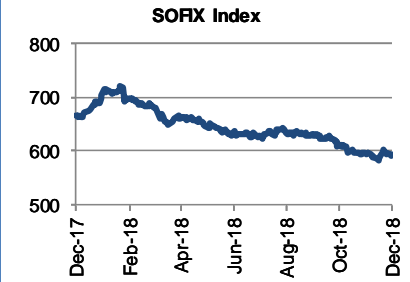
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	0	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	590.7	-0.40%	-12.80%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7194	0.04%	-5.23%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:50 EEST

Thursday 13 December 2018

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