

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: According to press reports, the UK and EU negotiators reached an agreement on a technical level on the terms of the Brexit divorce. The UK cabinet will meet today at 14:00 GMT to decide whether to approve the draft text. In reaction to positive news, the GBP firmed across the board but gains were limited on the view that the real hurdle for the UK government is not whether it can seal an agreement with the EU on the terms of the Brexit divorce but whether it can secure the approval of the UK House of Commons. In other news, German Q3 GDP data released earlier today showed that the Eurozone's biggest economy contracted for the first time since Q1 2015 mainly due to specific factors in the automotive sector. Meanwhile, in a letter sent to the European Commission in response to the rejection of its 2019 draft budgetary plan, the Italian government has decided to not substantially change its fiscal plan.

GREECE: According to press reports, it is likely that the German government will consent to the suspension of the pre-legislated pension cuts in 2019. Meanwhile, the Bank of Greece (BoG) will reportedly present this week a plan for the reduction of non-performing loans that entails the transfer of about half of the banks' deferred tax credit to a special purpose vehicle, which will then issue bonds and use the proceeds to buy NPLs of c. EUR42 billion from the banks.

SOUTH EASTERN EUROPE

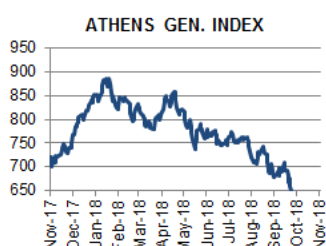
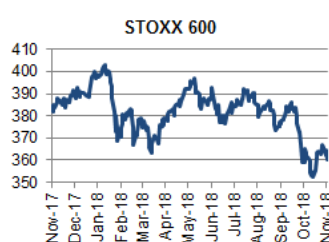
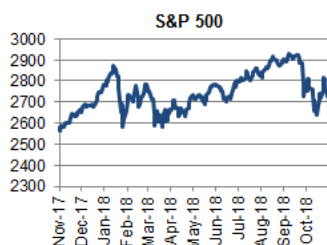
BULGARIA: The ECB announced that it will conduct a comprehensive assessment of six banks in the context of Bulgaria's request to establish close cooperation with it.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to press reports, the UK and EU negotiators reached an agreement on a technical level on the terms of the Brexit divorce. The UK cabinet will meet today at 14:00 GMT to decide whether to approve the draft text. The content of the draft withdrawal text is still not publicly known and is likely to be leaked in full or partially later this week. As per the same sources, it envisions an all-UK customs union "backstop" but, most probably, does not include the Northern Ireland-specific "backstop to the backstop" the EU had earlier demanded. If the cabinet approves the deal, this would pave the way for an extraordinary EU Council Summit later this month (24/25th November) to sign off the Brexit agreement. In reaction to news over a preliminary Brexit agreement, the GBP firmed across the board but gains were limited on the view that the real hurdle for the UK government is not whether it can seal an agreement with the EU on the terms of the Brexit divorce but whether it can secure the approval of the UK House of Commons. The GBP/USD was hovering around 1.2970/75 in European trade at the time of writing, having rebounded from levels close to 1.2800 tested earlier this week, albeit still off last week's 1.3174 high. Along these lines, the EUR/GBP was hovering slightly below 0.8700 at the time of writing, within distance from Tuesday's 5 ½ month low of 0.8653. News on a preliminary Brexit deal favored the EUR against the USD recovering 0.6% compared to Tuesday's 17-month trough of 1.1214. In spite of today's upside attempt, it remained well below a recent peak of 1.1700 (Nov. 11). German Q3 GDP data released earlier today showed that the Eurozone's biggest economy contracted for the first time since Q1 2015 (-0.2%QoQ) mainly due to specific factors in the automotive sector. In addition, worries over a further increase in tensions between Italy and the European Commission on the former's 2019 draft budget prevail. In a letter sent to the European Commission in response to the rejection of its 2019 draft budgetary plan, the Italian government has decided to not substantially change its fiscal plan, but committed to increasing privatization proceeds in order to support the reduction of the public debt/GDP ratio, indicating that it is ready to take corrective measures to avoid any further increase in budget deficit beyond the 2.4% of GDP target for 2019 and asked for additional flexibility under the EU rule of exceptional circumstances. The European Commission is expected to reply to the government by next week.

ppetropoulou@eurobank.gr

GREECE

According to press reports, it is likely that the German government will consent to the suspension of the pre-legislated pension cuts in 2019. Nevertheless, should this course of actions be chosen, a number of German MPs may reportedly block the return of the SMP/ANFA income equivalent amounts, on the grounds that policy commitments are not being kept. Meanwhile, according to press sources, the Bank of Greece (BoG) will present this week to the management teams of the four systemic banks a plan for the reduction of non-performing loans (NPLs). The plan entails the transfer of about half of the banks' deferred tax credit to a special purpose vehicle, which will then issue bonds and use the proceeds to buy NPLs of c. EUR42 billion from the banks. The plan, which differs from that of the Hellenic Financial Stability Fund (HFSF), is expected to improve banks' capital structure and reduce NPLs significantly. According to press the regulatory authorities may approve both the BoG and the HFSF plans.

andimitriadou@eurobank.gr

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

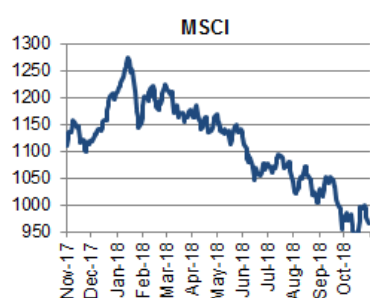
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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

On November 12th, the ECB announced that it will conduct a comprehensive assessment of six Bulgarian banks, namely UniCredit Bulbank AD, DSK Bank EAD, United Bulgarian Bank AD, First Investment Bank AD, Central Cooperative Bank AD, and Investbank AD. The exercise, which will start in November 2018, comprises of an asset quality review and a stress test and its aggregate and bank-by-bank results are expected to be published in July 2019. The exercise follows the Bulgaria's official request in July 2018 to establish close co-operation with the ECB as part of its endorsed strategy to simultaneously join the ERM2 mechanism and the Banking Union.

More specifically, in July 2018 the Bulgarian government stated its firm intention to apply for ERM2 entry by July 2019 and subsequently for Euro area membership upon fulfillment of the official criteria. At the same time, the government committed to implementing a long list of reforms in a number of policy areas before joining the ERM2: strengthen banking supervision by engaging in close cooperation with the ECB, enhance the supervision of the non-banking financial sector, identify gaps in the insolvency framework and prepare a roadmap to address them, strengthen the anti-money laundering framework and improve the governance of state-owned enterprises.

The ECB and the European Commission will supervise the implementation of these commitments. Once the two institutions have issued a positive assessment, the Parties to the ERM2 will decide upon Bulgaria's formal application. The ECB should simultaneously decide on Bulgaria's joining the banking union after concluding its comprehensive assessment. Bulgaria is also expected to participate in the SRM (including the SRF) from the date of entry into force of ECB's decision. Finally, Bulgaria is also expected to undertake further commitments at the moment of joining ERM2 with the aim of achieving a high degree of sustainable economic convergence by the time of the introduction of the Euro.

igkionis@eurobank.gr

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2722.18	-0.1%	1.8%	EUR/USD	1.1286	0.0%	-6.0%	UST -10yr	3.14	0	73	GOLD	1201	-0.1%	-7.8%
Nikkei 225	21846.48	0.2%	-4.0%	GBP/USD	1.2973	0.0%	-4.1%	Bund-10yr	0.39	-2	-4	BRENT CRUDE	66	0.2%	-1.9%
STOXX 600	360.55	-1.1%	-7.4%	USD/JPY	113.87	0.0%	-1.0%	JGB -10yr	0.11	0	6	LMEX	2869	0.1%	-16.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.46	1	-6
1-week	2.59	1	-2
1-month	2.70	0	-15
3-month	2.98	-3	-14
6-month	3.13	-2	-11

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.15	2	116

CDS

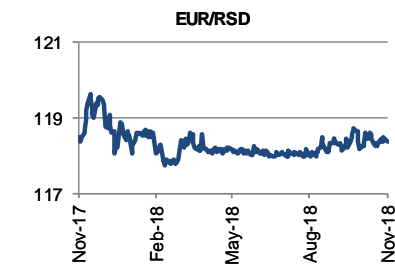
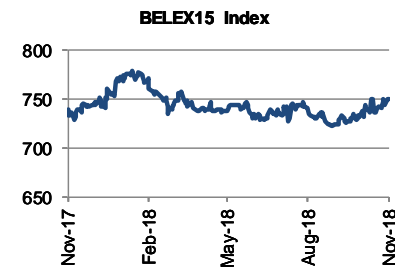
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-5
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	749.7	0.06%	-1.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.37	0.04%	0.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	0	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	4.02	0	64
5Y RON	4.45	0	67
10Y RON	4.94	0	62

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	4.41	0	141

CDS

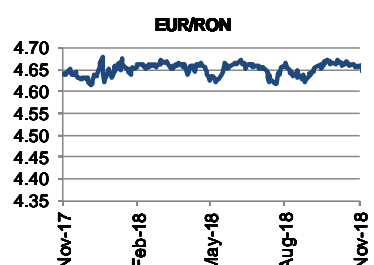
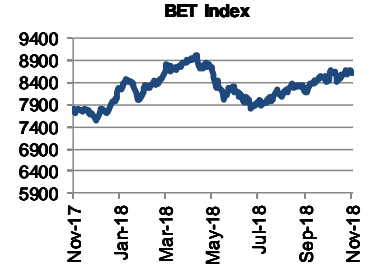
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	146	0	12

STOCKS

	Last	ΔD	ΔYTD
BET	8609.4	-0.70%	11.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6573	0.05%	0.16%



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	0.08	0	-7
10Y BGN	0.78	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	47	-2
EUR Sep-24	0.41	106	-16

CDS

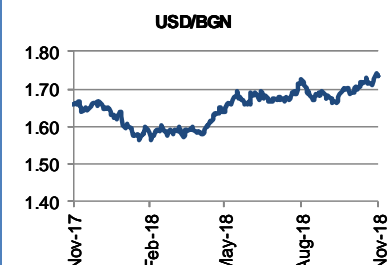
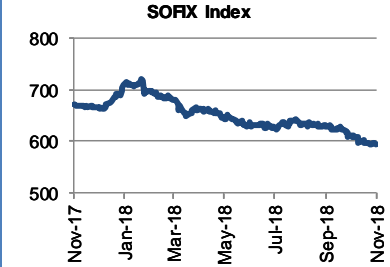
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	125	-1	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	594.1	0.04%	-12.31%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.733	-0.05%	-5.98%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:36 EEST

Webinars November 2018

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 Yiannisis: 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

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