

Friday 14 December 2018

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: In line with market expectations, the ECB decided at yesterday's monetary policy meeting that net purchases under the asset purchase programme (APP) will cease at the end of this month. In the press conference that followed, the overall ECB assessment on growth was more dovish compared to that adopted in the prior meeting, mainly expressed through the risk assessment. Contrasting with the prospect of another Fed rate hike at next week's meeting, the ECB President's more dovish tone weighed on the EUR/USD while German Bund yields were lower on the day on the back of renewed worries over the global growth outlook. On the data front, focus today is on preliminary December Eurozone PMIs.

GREECE: According to press reports, the Greek government has not yet agreed with the institutions the household insolvency framework that could succeed Law 3869/2010, which expires on 31 December 2018. A decision could be made during the institutions' next visit to Greece in the context of the 2nd EPPS review, in January 2019. According to the results of the Labour Force Survey for Q3-2018 announced yesterday by ELSTAT, the unemployment rate was 18.3%, down from 19.0% in Q2-2018 and 20.2% in Q3-2017.

SOUTH EASTERN EUROPE

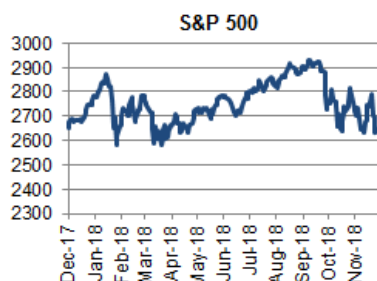
CESEE MACRO AND MARKET DEVELOPMENTS: Inflation data in many CESEE countries were released this week. We point out inflation abatement in both Bulgarian and Serbian economies. In Bulgaria, inflation came in at 3.1% YoY in November compared to 3.7% YoY in October while in Serbia inflation in November came in at 1.9% from 2.2% in October, mainly driven by the seasonal reduction in the prices of unprocessed food and the fall in petroleum product prices. The Turkish lira remained virtually unchanged on Friday's trade in the aftermath of yesterday's Central Bank decision.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the ECB decided at yesterday's monetary policy meeting that net purchases under the asset purchase programme (APP) will cease at the end of this month. In the press conference that followed, President Mario Draghi acknowledged that the strength of domestic demand continues to support euro area expansion and gradually pushes inflation pressures higher. However, the overall ECB assessment on growth was more dovish compared to that adopted in the prior meeting, mainly expressed through the risk assessment. The ECB President admitted that incoming data have been weaker than expected and economic momentum has slowed, not solely due to "one-offs", stating clearly that "continued confidence" is accompanied "with increasing caution". The risks surrounding the euro area growth outlook were still assessed as broadly balanced but, importantly, the ECB President acknowledged that the balance of risks is moving to the downside, mainly due to external factors. The ECB staff 2019 forecasts for GDP and HICP were revised down by 0.1pp to 1.7% and 1.6% respectively. Interest rates were left unchanged, as expected, with the ECB President reiterating that they are anticipated "to remain at their present levels at least through the summer of 2019". The ECB also provided some details for the reinvestment policy of principal redemptions for its €2.56trn portfolio that is expected to continue for "an extended period of time past the date when it starts raising the key ECB interest rates".

Contrasting with the prospect of another Fed rate hike at next week's meeting, the more dovish tone the ECB President adopted weighed on the EUR/USD which marked a three-session low of 1.1310 earlier today, 0.4% lower on the day following a peak close to 1.1445 just a few sessions ago. Taking their cue from US Treasuries, German Bund yields were lower today on the back of renewed worries over the global growth outlook following a string of disappointing data from China. The 10-yr Bund yield was c. 2.8bps lower on the day standing close to 0.256% at the time of writing while Italian paper remained well supported following news earlier this week that the government proposed to the European Commission a reduction in the 2019 budget deficit target from 2.4% to 2.04% of GDP. On the data front, focus today is on preliminary December Eurozone PMIs especially following the ECB's slightly more dovish growth risk assessment.

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GREECE

According to press reports, the Greek government has not yet agreed with the institutions the household insolvency framework that could succeed Law 3869/2010, which expires on 31 December 2018. The institutions reportedly object to the Greek government's proposal to extend the current framework while differences also exist as to the eligibility criteria of the beneficiaries. The issue will likely be discussed anew during the institutions' next visit to Greece in the context of the 2nd EPPS review, in January 2019. According to the results of the Labour Force Survey for Q3-2018 announced yesterday by ELSTAT, the unemployment rate was 18.3%, down from 19.0% in Q2-2018 and 20.2% in Q3-2017. The number of employed persons increased by 0.9%QoQ and 1.8%YoY while the number of unemployed decreased by 3.8%QoQ and 10.1%YoY.

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Latest economic & market developments in the CESEE region

CESEE MACRO AND MARKET DEVELOPMENTS

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

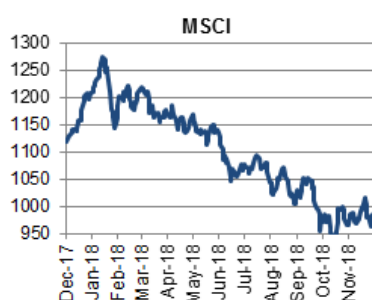
* on a cash basis

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+

According to the data of the Statistical Office released on Wednesday, Bulgarian inflation came in at 3.1% YoY in November compared to 3.7% YoY in October. The same day, according to the Serbian Statistical Office, inflation in November came in at 1.9% YoY from 2.2% YoY in October, mainly driven by the seasonal reduction in the prices of unprocessed food and the fall in petroleum product prices. Inflation continued to move within the target tolerance band ($3\pm 1.5\%$) while core inflation (CPI excluding the prices of food, energy, alcohol and cigarettes) remained almost unchanged, standing at 1.0%. According to the projection of the National Bank of Serbia (NBS), inflation on a yearly basis is expected to stay low and stable within the target band in the near future.

At the time of writing on Friday morning, the Turkish lira was trading broadly unchanged at 5.33/USD in the aftermath of the Central Bank of Turkey (CBRT) decision yesterday whereby in a broadly anticipated by analysts decision it left unchanged the key policy rate (KPR) – the 1-week repo as of late May – at 24.00% bringing the cumulative tightening up to 1025bps year to date factoring in the 75bps hike delivered in last April. The Overnight and Late liquidity window lending rates were also left unchanged at 25.5% and 27% respectively. In its written statement, CBRT cited some improvement in the inflation outlook, but still underlined the upside risks on price stability. Recall that Q3-2018 GDP data confirmed the sharp weakening in the growth outlook (-4.3% QoQ/+1.6% YoY) while the November inflation reading came at 2.7% MoM/25.2% YoY, significantly below expectations but still within double digit territory.

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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	2650.54	0.0%	-0.9%	EUR/USD	1.1352	-0.1%	-5.4%	UST - 10yr	2.88	-3	48	GOLD	1238	-0.3%	-5.0%
Nikkei 225	21374.83	-2.0%	-6.1%	GBP/USD	1.2622	-0.3%	-6.6%	Bund-10yr	0.27	-2	-16	BRENT CRUDE	61	-0.7%	-8.8%
STOXX 600	349.42	-0.2%	-10.2%	USD/JPY	113.56	0.1%	-0.8%	JGB - 10yr	0.04	-2	-1	LME X	2884	0.0%	-15.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.40	1	-12
1-week	2.52	0	-9
1-month	2.70	1	-15
3-month	3.05	0	-7
6-month	3.18	1	-6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-1	-120
5Y RSD	3.64	0	-66
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.09	-1	109

CDS

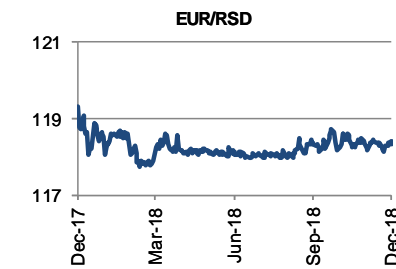
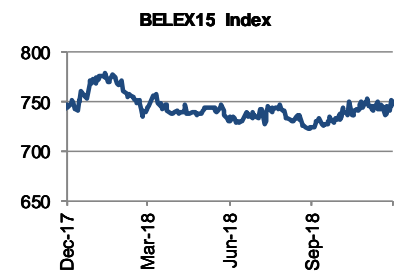
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	153	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	750.5	0.65%	-1.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	0.10%	0.48%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.72	0	63
1-month	2.69	0	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	4.12	0	34
10Y RON	4.70	0	39

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.34	0	134

CDS

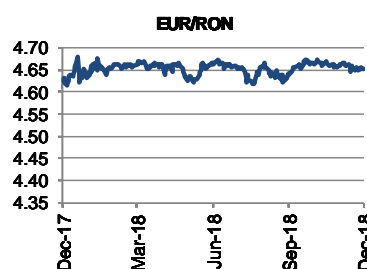
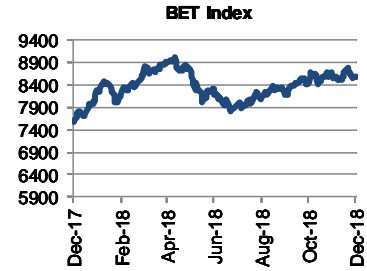
	Last	ΔDbps	ΔYTD bps
5-year	105	-1	15
10-year	149	-1	15

STOCKS

	Last	ΔD	ΔYTD
BET	8585.1	-0.04%	10.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6512	0.03%	0.29%



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	-0.04	-1	3
5Y BGN	0.10	0	-4
10Y BGN	0.76	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	0	9
EUR Sep-24	0.58	-2	1

CDS

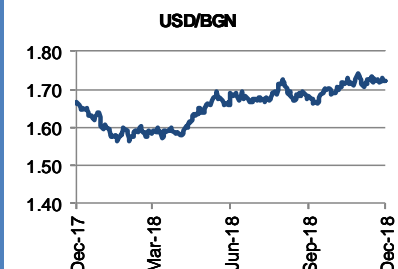
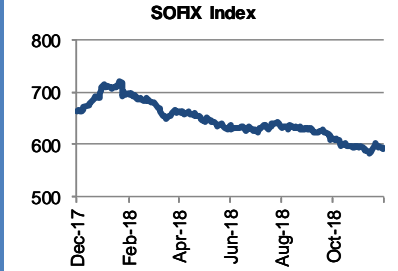
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	127	0	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	590.5	-0.44%	-12.84%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7227	-0.05%	-5.42%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 9:50 EEST

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