

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: UK Prime Minister announced yesterday the Cabinet's approval for the tentative agreement reached with EU27 on the terms of the Brexit divorce. This is expected to open the way for an extraordinary EU Council meeting in late November for a final agreement on the deal. With the cabinet approval out of the way, the next hurdle for the UK Prime Minister is whether she can pass the deal through the UK parliament. Adding to lingering political jitters, some press reports suggest that the UK Prime Minister could face a vote of no confidence as party leader later today. Against this background, the GBP gave back some of yesterday's gains. Meanwhile, the USD remained under modest pressure against the majority of its currency peers on lower US bond yields.

GREECE: Today's Euroworking Group is expected to finalise Greece's 2019 state budget where the European Commission reportedly still 'sees' a fiscal gap of c. EUR200 million. Nevertheless, according to press sources the remaining differences will be bridged and the European Commission will likely consent to the suspension of the pre-legislated cuts on the ground that the 3.5% of GDP primary surplus target will be met anyway. Meanwhile, according to the preliminary data of the State Budget Execution for the period January – October 2018, the State Budget Primary Balance amounted to a surplus of EUR6,460 million, against the primary surplus target in the MTF5 2019-2020 of EUR3,584 million.

SOUTH EASTERN EUROPE

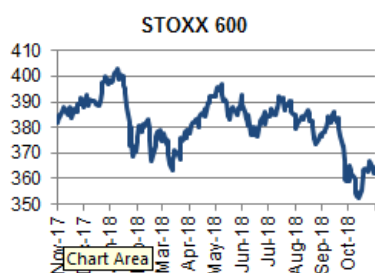
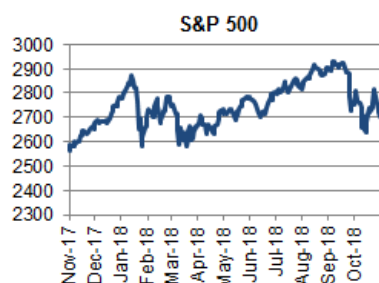
SERBIA: Headline inflation climbed to 0.3% MoM/2.2% YoY in October compared to -0.3% MoM/2.1% YoY in September.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

UK Prime Minister announced yesterday the Cabinet's approval for the tentative agreement reached with EU27 on the terms of the Brexit divorce. This is expected to open the way for an extraordinary EU Council meeting in late November for a final agreement on the deal. The UK Minister said that there had been 'collective' rather than a 'unanimous' decision, suggesting that some ministers were against the deal. According to some press reports, around ten Eurosceptic ministers spoke out against the deal but so far there have been no resignations. The withdrawal deal was publicly released in full. Among others, the Irish border backstop has no end data and if the UK wants to leave the customs union backstop, it needs to be a decision by a joint committee. According to newswires, the UK and the EU will recognize each other's financial regulations implying some sort of equivalence. With the cabinet approval out of the way, the next hurdle for the UK Prime Minister is whether she can pass the deal through the UK parliament. Adding to lingering political jitters, some press reports suggest that the UK Prime Minister could face a vote of no confidence as party leader later today. Against this background, the GBP gave back some of yesterday's gains hovering around 1.2980/85 against the USD in European trade at the time of writing, 0.7% lower from Wednesday's intraday peak. Along these lines, the EUR/GBP was 0.4% firmer on the day having recovered from a multi-month low close to 0.8650 recorded earlier this week. Meanwhile, the USD remained under modest pressure against the majority of its currency peers. The DXY index was standing close to 96.777 at the time of writing, 0.9% lower from Monday's 1 ½ month high pressured by lower US bond yields after yesterday's US inflation data showed a decline in October core CPI to 2.1%YoY from 2.2%YoY in the prior month. The 10-yr US paper was yielding levels around 3.12% at the time of writing, not too far from a two-week low close to 3.09% marked at some point yesterday following a spike to 3.25% just a few sessions ago.

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GREECE

Today's Euroworking Group is expected to finalise Greece's 2019 state budget where the European Commission reportedly still 'sees' a fiscal gap of c. EUR200 million. Nevertheless, according to press sources the remaining differences will be bridged and the European Commission will likely consent to the suspension of the pre-legislated cuts on the ground that the 3.5% of GDP primary surplus target will be met anyway. According to the same sources, even without the implementation of the pension cuts the Greek government will still have some fiscal space to allow for the adoption of some of the expansionary measures such as the reduction of the property tax and the corporate income tax as well as subsidies to weaker social groups. The timetable foresees the finalisation of the 2019 state budget at the 19 November Eurogroup and its submission to parliament by 21 November. Meanwhile, according to the preliminary data of the State Budget Execution for the period January – October 2018, the State Budget Primary Balance amounted to a surplus of EUR6,460 million, against the primary surplus target in the MTF5 2019-2020 of EUR3,584 million and a primary surplus of EUR5,330 million attained at the same period of the previous year.

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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

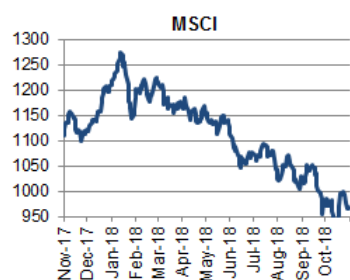
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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+

SERBIA

Headline inflation climbed to 0.3% MoM/2.2% YoY in October compared to -0.3% MoM/2.1% YoY in September. Following the increase in August to 2.6% YoY vs 2.4% YoY in July, inflation lost pace in September standing at 2.1% YoY and seems to be streamlined in October, still lower than anticipated as the consensus projected inflation to reach 2.4% YoY.

The monthly increase in prices by 0.3% in October is mainly attributed to increases in the groups of clothing and footwear (+2% MoM) and transport (0.9% MoM) while prices in groups of furnishing and household equipment retreated by 0.2% MoM. Prices of other goods and services remained broadly unchanged. On an annual basis, food prices increased by 1.7% YoY had the biggest impact along with fuel prices which hiked by 12.3% YoY.

Inflation remains at the lower end of the target band of the NBS (3%, \pm 1.5%) and is expected to continue as such until the next two years as the breakdown of figures implies that any price acceleration is mainly attributed to volatile prices (i.e. food and fuel prices behavior within the past twelve months as aforementioned).

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Thursday 15 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	2701.58	-0.8%	1.0%	EUR/USD	1.1336	0.2%	-5.6%	UST - 10yr	3.13	1	73	GOLD	1213	0.2%	-6.9%
Nikkei 225	21803.62	-0.2%	-4.2%	GBP/USD	1.2994	0.0%	-3.9%	Bund-10yr	0.40	0	-3	BRENT CRUDE	66	0.2%	-1.0%
STOXX 600	362.27	-0.6%	-6.9%	USD/JPY	113.57	0.0%	-0.8%	JGB - 10yr	0.11	0	6	LMEX	2877	0.3%	-15.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.46	0	-6
1-week	2.59	0	-2
1-month	2.70	0	-15
3-month	3.01	3	-11
6-month	3.15	2	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-2	-120
5Y RSD	3.59	0	-71
7Y RSD	4.16	-1	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.18	0	119

CDS

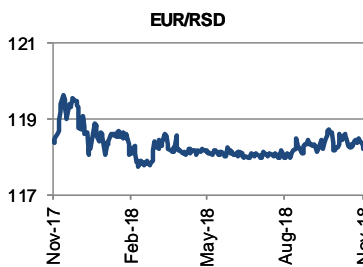
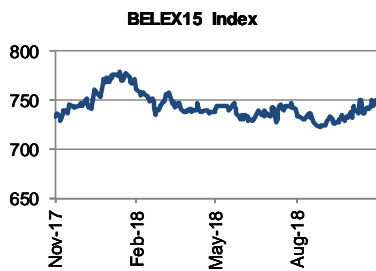
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	748.8	-0.07%	-1.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.30	0.08%	0.51%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.55	0	146
1-month	3.1	0	123
3-month	3.19	0	114
6-month	3.44	0	117
12-month	3.58	0	126

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.10	0	71
5Y RON	4.51	0	73
10Y RON	4.99	0	68

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.43	1	143

CDS

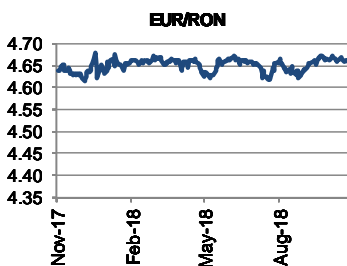
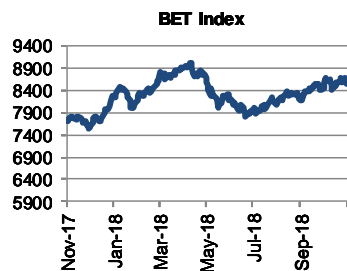
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	146	0	12

STOCKS

	Last	ΔD	ΔYTD
BET	8550.6	-1.38%	10.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.66	-0.03%	0.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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	-0.07	-1	1
5Y BGN	0.08	-1	-6
10Y BGN	0.78	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	0	10
EUR Sep-24	0.60	0	3

CDS

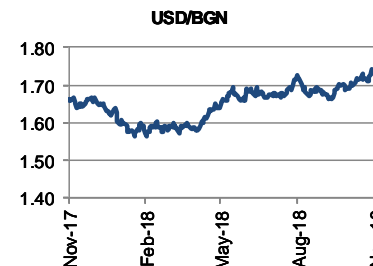
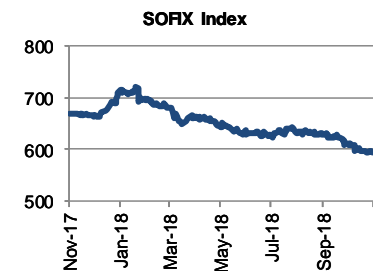
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	125	-1	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	594.8	0.15%	-12.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7256	0.20%	-5.57%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 9:36 EEST

Thursday 15 November 2018

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