

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: Mounting political uncertainty in the UK and rising fears over a disorderly, hard Brexit keep the GBP under pressure while UK Gilts and German Bunds remain well supported. In protest over the withdrawal agreement, four conservative MPs resigned, the Democratic Unionist Party (DUP) from Northern Ireland has reportedly threatened to withdraw its support from the government unless Theresa May resigns as Prime Minister and at least 14 Brexiteers from the conservative party are said to have submitted a letter of no confidence in Theresa May as Conservative party leader. Brexit-related political developments are expected to lure market attention today.

GREECE: The Euroworking Group that convened yesterday reportedly consented to the suspension of the pension cuts in 2019 which will be made feasible with the curtailment of the Public Investment Programme and the subsidy to the social security contribution of new workers. The 3 December Eurogroup is expected to politically endorse Greece's 2019 state budget while, next week, the European Commission is expected to release its first review on Greece in the context of the Enhanced Post Programme Surveillance. On the privatisations front, the Court of Audit reportedly approved the revised agreement for the 20-year concession of the Athens International Airport.

SOUTH EASTERN EUROPE

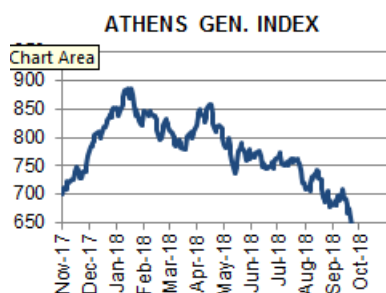
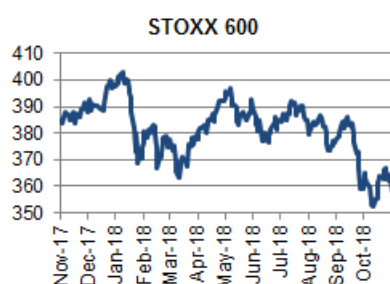
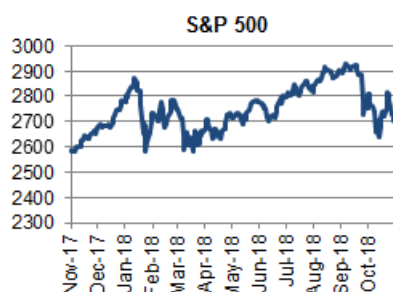
CESEE MARKETS AND MACRO DEVELOPMENTS: Affected by political uncertainty in the UK, central European currencies returned most of their early gains yesterday while regional bourses appeared broadly unaffected. GDP growth flash estimates for Q3 2018 for the region remain well above those for the EU 28 and EA 19.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mounting political uncertainty in the UK and rising fears over a disorderly, hard Brexit keep the GBP under pressure while UK Gilts and German Bunds remain well supported. In protest over the withdrawal agreement on a technical level reached with the EU27 earlier this week and just a few hours after the cabinet's approval, four conservative MPs resigned, including Brexit Secretary Dominic Raab. Adding to political jitters, today's UK press reports conveyed that the Democratic Unionist Party (DUP) from Northern Ireland has threatened to withdraw its support from the government unless Theresa May resigns as Prime Minister. The Chair of the European Research Group (ERG) of Eurosceptic Conservative MPs said publicly late yesterday that he has submitted a letter of no confidence in Theresa May as Conservative party leader to the Chair of the 1922 Committee. Reportedly, at least 14 Brexiteers from the conservative party have also submitted such letters and although the threshold of 48 letters required for holding a non-confidence vote in the party leader has not yet been reached, it seems likely to happen in the coming days. In her press conference late yesterday, the UK Prime Minister vowed to fight for her Brexit deal and said that she is not about to quit in spite of growing criticism from Brexiteers within her own party. Against this background, the EUR/GBP bounced above 0.8800 for the first time in the last two weeks while the GBP/USD was standing close to 1.2820/25 in European trade at the time of writing, not far from Thursday's two-week intraday low of 1.2722 and c. 2% lower from this week's peak close to 1.3100 (Nov. 14). EUR/GBP gains were spread to the EUR/USD which was standing 0.2% firmer on the day after hitting a one-week high of 1.1368 earlier today. Turning to government bond markets, Gilt yields were sharply lower standing close to yesterday's multi-month lows in early European trade today. Bund yields followed suit with the 10-yr paper yielding levels around 0.37% at the time of writing, not far from yesterday's three-week intraday low of 0.35% following a short-lived spike slightly above 0.41% on Wednesday. Brexit-related developments are expected to continue to lure market attention today.

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GREECE

The Euroworking Group that convened yesterday reportedly consented to the suspension of the pension cuts in 2019 which will be made feasible with the curtailment of the Public Investment Programme and the subsidy to the social security contribution of new workers. As regards the expansionary measures, they may reach up to EUR900 million and will include a rent subsidy, a reduction of the property tax (ENFIA), a reduction in the social security contributions of freelancers and the support of special education schools. The 3 December Eurogroup is expected to politically endorse Greece's 2019 state budget while, next week, the European Commission is expected to release its first review on Greece in the context of the Enhanced Post Programme Surveillance. On the privatisations front, the Court of Audit reportedly approved the revised agreement for the 20-year concession of the Athens International Airport (AIA). The revised offer amounts to EUR1.382 billion incl. VAT or EUR1.115 billion excl. VAT. The completion of the transaction is subject to approvals by the competent European authorities and the Greek Parliament and will open the way for the sale of the 30% stake of HRADF in AIA.

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Latest economic & market developments in the CESEE region

CESEE MARKETS AND MACRO DEVELOPMENTS

Affected by political uncertainty in the UK, central European currencies returned most of their early gains yesterday. In detail, the Czech crown slid against the EUR by 0.11% with other currencies of the region such as Hungarian forint, Polish zloty and Romanian leu reporting minor losses. At the time of writing, the aforementioned FX rates are trading mixed while the turmoil in Brexit talks seems to have left the regional bourses broadly unaffected. In brief, Sofia's and Bucharest main indices concluded with gains of 0.2% and 0.3% respectively while Budapest's bourse closed marginally on the red (-0.1%) and Polish WIG index reported losses of ca 1%. Concluding, the developments in Brexit talks matter substantially for the region as Britain is an important trade partner, while a plethora of employees from the region live in the UK and send home in the form of remittances part of their earnings. In other news, data regarding flash estimates over the GDP growth in the EU for Q3-2018 were published yesterday. Respective published data verify the Autumn European Commission Forecast, published last Thursday, in the sense that economies of the CESEE area are estimated to have expanded more broadly at an average rate of ca 4% YoY in Q3 – 2018 vs the EU28 and EA19 growth rates estimates for the same period, standing at 1.9% YoY and 1.7% YoY respectively. Domestic demand appears as the key growth driver in the region and next quarter's estimates will be in the spotlight as Q3 -2018 is estimated to be among the last strong quarters for the region, given that most leading growth indicators are easing globally.

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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

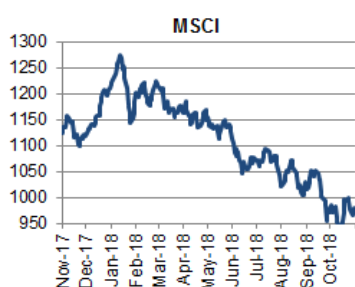
* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicators	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+

Friday 16 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	2730.20	1.1%	2.1%	EUR/USD	1.1343	0.1%	-5.5%	UST - 10yr	3.10	-1	70	GOLD	1215	0.2%	-6.7%
Nikkei 225	21680.34	-0.6%	-4.8%	GBP/USD	1.28	0.2%	-5.3%	Bund-10yr	0.37	1	-6	BRENT CRUDE	67	0.9%	0.5%
STOXX 600	358.43	-1.1%	-7.9%	USD/JPY	113.3	0.3%	-0.5%	JGB - 10yr	0.10	-1	6	LME X	2899	0.8%	-15.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	-2	-8
1-week	2.56	-3	-5
1-month	2.69	-1	-16
3-month	3.02	1	-10
6-month	3.14	-1	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-1	-120
5Y RSD	3.59	0	-71
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.19	0	119

CDS

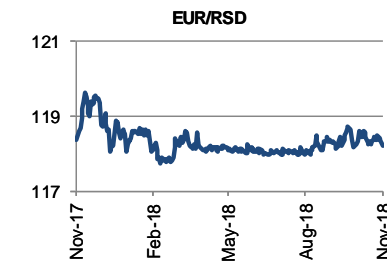
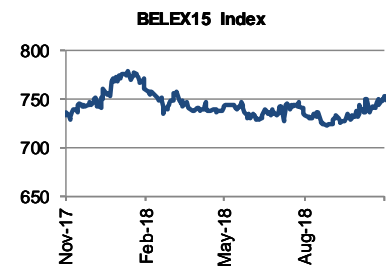
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	752.6	0.51%	-0.95%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.31	-0.08%	0.51%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.54	0	145
1-month	3.11	0	124
3-month	3.21	0	116
6-month	3.44	0	117
12-month	3.59	0	127

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.07	0	69
5Y RON	4.49	0	71
10Y RON	4.99	0	68

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.42	0	142

CDS

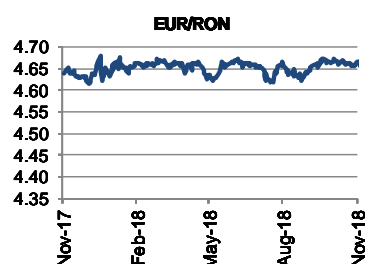
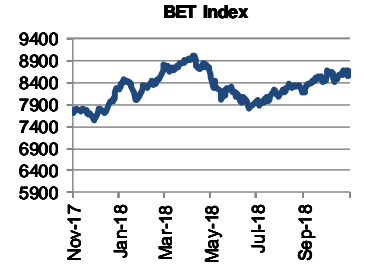
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	146	0	13

STOCKS

	Last	ΔD	ΔYTD
BET	8573.7	0.27%	10.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.664	-0.02%	0.02%



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	-0.08	-1	-1
5Y BGN	0.07	0	-8
10Y BGN	0.77	0	-20

BG Eurobonds

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

CDS

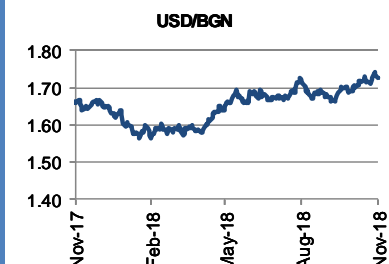
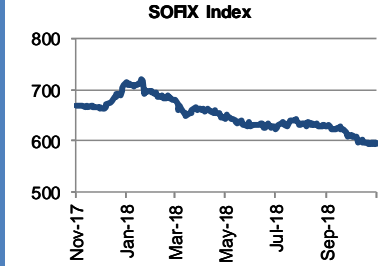
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.7	0.16%	-12.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7244	0.11%	-5.51%



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

Data updated as of 9:18 EEST

Friday 16 November 2018

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