



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 17 December 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Dec 17: Empire State Index (Dec)
- Dec 18: Housing starts & building permits (Nov)
- Dec 19:
 - Existing home sales (Nov)
 - Fed interest rate decision
- Dec 20
 - Initial jobless claims (16/12)
 - Philly Fed index
- Dec 21:
 - Personal income & spending (Nov)
 - Durable goods orders
 - University of Michigan consumer sentiment (Dec, final)

EUROZONE

- Dec 17: CPI (Nov, final)
- Dec 18: German Ifo business climate
- Dec 21: German Gfk consumer confidence (Jan)

UK

- Dec 19: CPI (Nov)
- Dec 20: BoE interest rate decision
- Dec 21: GDP (Q3, final)

GREECE

- Dec 21: Current account balance (Oct)

SEE

BULGARIA

- Dec 18: Current account balance (Oct)

CYPRUS

- Dec 20: CPI (Nov)

SERBIA

- Dec 20: Current account balance (Oct)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Eurozone PMIs for December disappointed added to market concerns about the economy's growth outlook. On the flipside, encouraging US retail sales reinforced market optimism over the US's cycle outperformance. Against this background, the USD remained well supported across the board with the EUR/USD standing not too far from Friday's 2½ week low of 1.1266. Meanwhile, the GBP remained under pressure on mounting Brexit uncertainty. UK Prime Minister Theresa May did not receive further concessions from the EU leaders at the 13-14 European Council meeting while comments by UK Trade Minister Liam Fox on Sunday suggested that the House of Commons is not likely to get to vote on the existing withdrawal agreement (or a modified version) before mid-January. Focus this week is on Wednesday's FOMC monetary policy where the Committee is widely expected to deliver a further 25bps rate hike.

GREECE: According to press reports, the financial closing of the privatisation of DESFA and the extension of the concession of the Athens International Airport (AIA) will take place by the end of the year.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD remained bound within a 118.15 – 118.55 trading range.

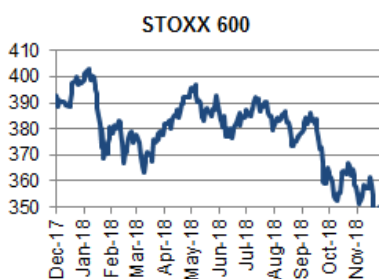
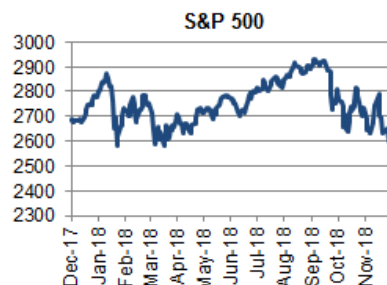
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Monday 17 December 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Eurozone PMIs for December disappointed added to market concerns about the economy's growth outlook. The Composite PMI unexpectedly declined from November's 52.7 to 51.3, the lowest level since September 2013 mainly due to a sharp drop in the Services PMI (to 51.4 from 53.4) that was exacerbated by "yellow vest" protest disruptions in France. The manufacturing sector, instead, fell marginally to 51.4 from 51.8 on the back of the auto industry weakness, rising political uncertainty, weaker global trade and protectionism fears. The above weaker than expected Eurozone data released on Friday, confirmed the ECB's growth assessment provided by President Mario Draghi at Thursday's post-meeting press conference where he stressed that the Governing Council is still broadly confident but "with increasing caution". On the flipside, encouraging US retail sales reinforced market optimism over the US's cycle outperformance. The so-called core retail sales, which correspond more closely to the consumer spending component of GDP, rose by a higher than expected 0.9% mom in November following an upwards revised 0.7% mom in the prior month, further reducing fears of a significant US slowdown.

Against this background, the USD remained well supported across the board with the DXY index hovering in early European trade not too far from Friday's 19-month peak of 97.711. The EUR/USD was 0.5% weaker on a weekly basis standing close to 1.1300 at the time of writing, within distance from Friday's 2 ½ week low of 1.1266. Meanwhile, the GBP remained under pressure on mounting Brexit uncertainty. UK Prime Minister Theresa May did not receive further concessions from the EU leaders at the 13-14 European Council meeting while comments by UK Trade Minister Liam Fox on Sunday suggested that the House of Commons is not likely to get to vote on the existing withdrawal agreement (or a modified version) before mid-January. The BoE is expected to keep interest rates unchanged at this week's policy meeting (the MPC decision to be announced on Thursday) and is likely to retain a wait-and-see stance on its monetary policy until there is more clarity on Brexit. Meanwhile, the Fed is anticipated to raise its target rate by a further 25bps at Wednesday's meeting. The Committee is expected to reiterate expectations for higher interest rates in the coming quarters but the updated interest rate projections are likely to point to a slower than previously thought pace of policy normalization in 2019 (down to two hikes from three) as the path of monetary policy becomes more data dependent.

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GREECE

According to press reports, the financial closing of the privatisation of DESFA and the extension of the concession of the Athens International Airport (AIA) will take place by the end of the year. As regards 2019, the priorities of the Hellenic Republic Asset Development Fund (HRADF) are the launch of the tender for the sale of 30% of AIA, the submission of binding offers for Hellenic Petroleum (HELPE) and Alimos marina, and the launch of the tender procedure for the ports of Kavala and Alexandroupoli initially and for those of Corfu, Volos and Elefsina later on. With regard to Hellinikon, if the casino tender is launched before the end of the current year, then it could be concluded by April so that construction works may begin in Q2-2019.

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Latest economic & market developments in the CESEE region

SERBIA*

Enhanced demand for the Euro from the corporate side along with boosted custodian activity lead to an uneven balance for the Serbian Dinar that depreciated against the Euro and forced the National Bank of Serbia (NBS) to intervene again. On Tuesday morning, the EUR/RSD exchange rate touched a weekly low of 118.35/55 and it was the aforementioned intervention from the NBS that kept the volatility of the EUR/RSD rate at modest levels. In detail, the NBS stepped on Friday into a sale of €30mn.

In other news, the Serbian budget execution for 2019 requires financing needs at ca RSD635bn and as such the Serbian government has planned domestic issuances amounting to RSD396bn, out of which RSD185bn within Q1. Moreover, within Q1, issuances of EUR450mn are scheduled as well, implying that Serbia in 2019, as in 2018, will prefer to borrow domestically. Concluding, the maturities of the bonds under scheduled issuance vary from 2 to 15 years with the majority of tenors concentrating around 3 years and an average coupon of 3.75 for the papers denominated in RSD and 1.25 for those in EUR.

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*We would like to thank Zoran Korac from Eurobank Beograd for this invaluable contribution in today's issue

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

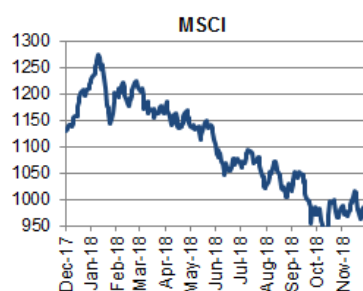
* on a cash basis

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+

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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	2599.95	-1.9%	-2.8%	EUR/USD	1.1315	0.1%	-5.7%	UST - 10yr	2.89	0	48	GOLD	1239	0.0%	-4.9%
Nikkei 225	21506.88	0.6%	-5.5%	GBP/USD	1.2583	0.0%	-6.9%	Bund-10yr	0.25	0	-17	BRENT CRUDE	60	0.0%	-9.9%
STOXX 600	347.21	-0.6%	-10.8%	USD/JPY	113.4	0.0%	-0.6%	JGB - 10yr	0.04	0	-1	LME X	2876	-0.3%	-15.9%

SERBIA

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

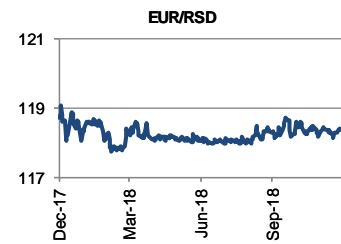
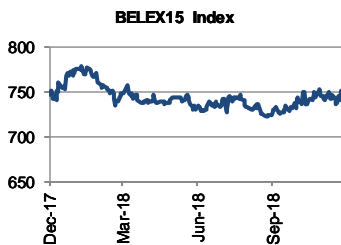
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	-1	-121
5Y RSD	3.48	0	-82
7Y RSD	4.17	0	-101

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.08	0	109

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

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	745.6	-0.66%	-1.88%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.43	-0.52%	0.40%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.68	0	59
1-month	2.7	0	83
3-month	3.04	0	99
6-month	3.34	0	107
12-month	3.52	0	120

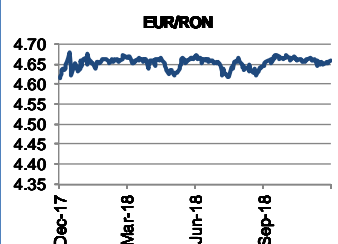
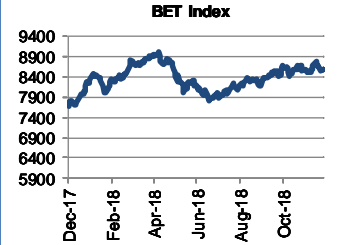
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.77	0	39
5Y RON	4.10	0	32
10Y RON	4.69	0	37

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-1
USD Jan-24	4.30	1	130

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	105	0	15
10-year	149	0	15

STOCKS			
	Last	ΔD	ΔYTD
BET	8574.5	-0.16%	10.59%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6589	-0.07%	0.13%



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

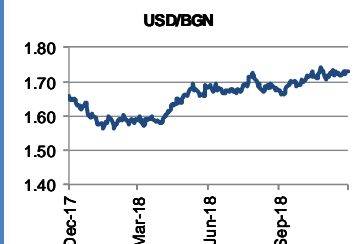
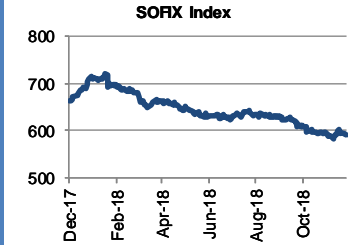
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	-1	0
5Y BGN	0.09	0	-5
10Y BGN	0.75	0	-21

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

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

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	589.6	-0.15%	-12.97%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7287	0.07%	-5.74%



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

Data updated as of 9:14 EEST

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