

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 18 October 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 15:
 - Empire state index (Sep)
 - Retail sales (Sep)
- Oct 16:
 - Industrial production (Sep)
 - NAHB index (Oct)
- Oct 17:
 - Housing starts & building permits (Sep)
 - Fed minutes (25/26 Sep meeting)
- Oct 18: Philly Fed (Oct)
 - Initial jobless claims (06/10)
 - Leading Index (Sep)
- Oct 19: Existing Home Sales (Sep)

EUROZONE

- Oct 16: Germany's ZEW (Oct)
- Oct 17: CPI (Sep F)

GREECE

- Oct 17: Annual National Accounts (2017, provisional)
- Oct 19: Turnover index in Industry (Aug)

SEE

BULGARIA

- Oct 15:
 - CPI (Sep)
 - Unemployment rate (Sep)
- Oct 19: Current Account Balance (Aug)

CYPRUS

- Oct 17: CPI (Sep)

ROMANIA

- Oct 15: Current Account Balance (Aug)

SERBIA

- Oct 19: Current Account Balance (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasury yields were higher in early European trade on Thursday and the USD was firmer across the board on the back of increased expectations for further Fed rate tightening by the end of the year. Meanwhile, the GBP remained under pressure amid mounting worries over a crash-out Brexit scenario. As expected, there was no withdrawal agreement at yesterday's Brexit working dinner with the Irish border backstop remaining the most controversial issue, mainly due to UK domestic political woes. EU chief Brexit negotiator Michel Barnier said that more time was needed to secure a withdrawal deal for Britain and the planned extraordinary EU Summit in mid-November was put on hold until "decisive progress" has been reached.

GREECE: According to the 2nd estimate of the Annual National Accounts released yesterday by the Hellenic Statistical Authority (ELSTAT), 2017 GDP in volume terms increased by 1.5% YoY, upwards revised from the increase of 1.4% announced for the 1st estimate in March 2018. The 2019 draft budget foresees real GDP growth of 2.1% in 2018 and 2.5% in 2019.

SOUTH EASTERN EUROPE

CESEE MACRO DEVELOPMENTS: The World Economic Forum (WEF) Global Competitiveness Index 4.0 2018 rankings reveal divergent and convergent trends among the region's countries.

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Latest world economic & market developments

GLOBAL MARKETS

US Treasury yields were higher in early European trade on Thursday and the USD was firmer across the board on the back of increased expectations for further Fed rate tightening by the end of the year. The minutes of the September FOMC meeting, released yesterday, showed that all policymakers agreed to continue raising interest rate gradually as they generally judged that the economy was evolving about as anticipated, with economic activity rising at a healthy pace, labor market conditions continuing to improve and inflation near the Committee's objective. The minutes also showed that the committee was divided on how much further interest rates should rise with a few participants arguing that they would not favor adopting a restrictive policy stance (above the estimated long-run interest rate) without clear signs of overheating. The 10-yr yield rose to 3.213% earlier today, c. 1bps higher on the day while the DXY index hit a one-week high of 95.775 with the EUR/USD retreating slightly below 1.1500 in early European trade.

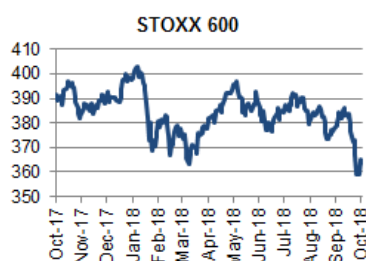
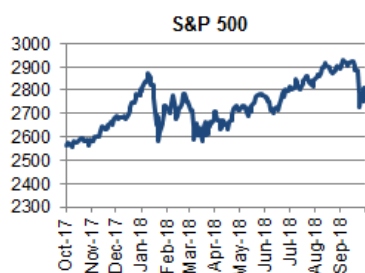
Meanwhile, the GBP remained under pressure amid mounting worries over a crash-out Brexit scenario. As expected, there was no withdrawal agreement at yesterday's Brexit working dinner with the Irish border backstop remaining the most controversial issue, mainly due to UK domestic political woes. EU chief Brexit negotiator Michel Barnier said that more time was needed to secure a withdrawal deal for Britain and the planned extraordinary EU Summit in mid-November was put on hold until "decisive progress" has been reached. The December EU Council meeting now stands as the last realistic chance for a withdrawal deal to allow time for the completion of approval procedures in the EU and the UK by 30 March 2019, the planned Brexit date. Elsewhere, in its semiannual report on the FX policies of its trade partners, the US Treasury Department criticized China's FX practices but refrained from naming it or any other trading partner as a currency manipulator.

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GREECE

According to the 2nd estimate of the Annual National Accounts released yesterday by the Hellenic Statistical Authority (ELSTAT), 2017 GDP in volume terms increased by 1.5% YoY, upwards revised from the increase of 1.4% announced for the 1st estimate in March 2018. From the expenditure approach side, in 2017 the revised changes of the GDP components are as follows: final consumption expenditure +0.6%YoY (-0.2%YoY in 1st estimate), gross fixed capital formation +9.1% (+9.6% in 1st estimate), imports of goods and services +7.1%YoY (+7.2% in 1st estimate) and exports of goods and services +6.8%YoY (unchanged from 1st estimate). It is reminded that the 2019 draft budget foresees real GDP growth of 2.1% in 2018 and 2.5% in 2019.

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Source: Reuters, Bloomberg, Eurobank Research

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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

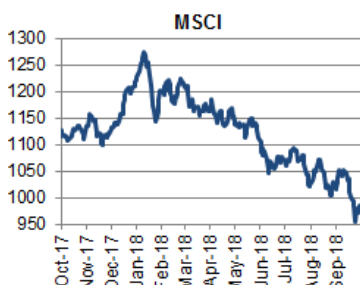
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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+

Latest economic & market developments in the CESEE region

CESEE MACRO DEVELOPMENTS

According to the Global competitiveness report published by the World Economic Forum yesterday, the assigned rankings of competitiveness for the economies of our focus in the Central Eastern and Southeastern Europe (CESEE) extend widely from the 44th to the 91st position with the median at global level standing at the 60th place in a sample of 140 countries worldwide under the microscope. It is worth mentioning that the Global Competitive Index (GCI) is calculated since 1979 whereas for the first time this year the index is launched under the GCI 4.0 acronym with 4 standing for the 4th Industrial Revolution.

Cyprus has the lead in the CESEE territory standing at the 44th place, one notch down relatively to last year's survey. Cyprus' competitive advantages are the health status (26th) and skillset (33rd) of Cypriots citizens along with the product and labour market conditions (26th and 28th respectively). However, the financial system condition (95th due to NPLs backlog ranking in the 138th place) and to a lesser extent macroeconomic stability (63rd) are two of the country's worst scores.

Bulgaria and Romania are ranked 51st and 52nd respectively for a second year in a row. Bulgaria scores high in information and communication technology adoption (ICT, 30th) and innovation capability (48th) but lags behind in life expectancy (70th) and institutional framework (70th with subcategory of judicial independence ranking 95th). While ICT extensive use is a common denominator between Bulgaria and Romania (36th), the latter's financial system and specifically the NPL's volume is in need of eminent handling (138th).

Turkey stands almost 10 positions lower (61st vs 58th among 135 countries last year) with its market size being a very supportive element (13th) in terms of competitiveness. The current macroeconomic turmoil is profoundly reflected in the country's score (116th place in macro stability) whereas labour market conditions and specifically workers' rights score is not a bright spot (115th).

Despite the comparatively low ranking among other economies of the broader region, Serbia was an outperformer in 2018-2019. Serbia has climbed five spots - from the 70th place to the 65th - marking significant improvement in all pillars but health (67th in 2018-2019 down from 52nd in 2017-2018). Serbia's overall competitiveness score is the most homogeneous since most of the pillars scores rank among the 52nd position for labour market conditions and the 67th for life expectancy. The components that drive Serbia's score downwards are the weak institutional framework (76th) and the NPL's volume (102nd). Nevertheless, Serbia scores high in infrastructure and specifically the road connectivity (43rd).

Finally, Montenegro ranks 71st, Albania 76th, FYROM 84th and finally Bosnia and Herzegovina, stands at the 91st position, depicting the weakest performance.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2809.21	0.0%	5.1%
Nikkei 225	22658.16	-0.8%	-0.5%
STOXX 600	363.64	0.0%	-6.6%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1495	-0.1%	-4.2%
GBP/USD	1.3085	-0.2%	-3.2%
USD/JPY	112.52	0.1%	0.2%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.20	0	80
Bund-10yr	0.47	1	4
JGB - 10yr	0.15	0	10

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.29	0	-23
1-week	2.41	0	-20
1-month	2.62	0	-23
3-month	2.93	-1	-19
6-month	3.10	0	-14

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	-2	-112
5Y RSD	3.65	0	-65
7Y RSD	4.15	-1	-103

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.96	0	96

CDS

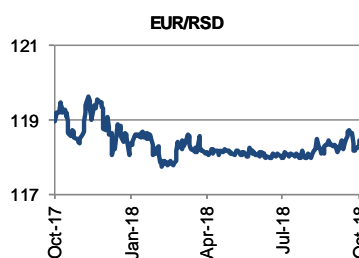
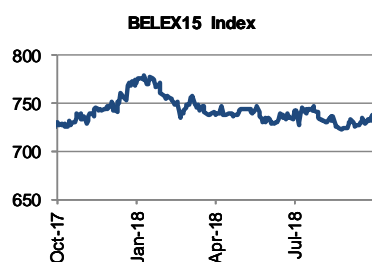
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.3	0.57%	-3.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.44	-0.18%	0.40%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.31	0	122
1-month	3.1	0	123
3-month	3.17	0	112
6-month	3.42	0	115
12-month	3.55	0	123

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.20	0	82
5Y RON	4.74	0	96
10Y RON	5.12	0	80

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-1
USD Jan-24	4.37	1	137

CDS

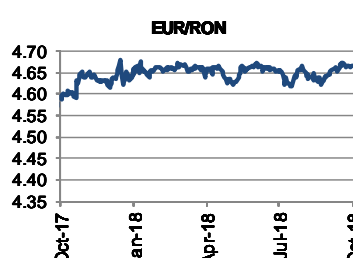
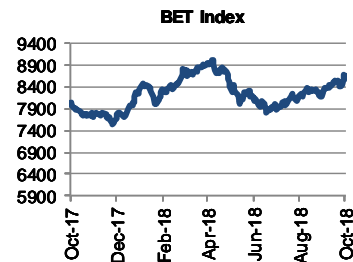
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	142	-1	9

STOCKS

	Last	ΔD	ΔYTD
BET	8640.1	-0.35%	11.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6653	-0.01%	-0.01%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	0	1
5Y BGN	0.07	1	-7
10Y BGN	0.78	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	-2	2
EUR Sep-24	0.44	-2	-14

CDS

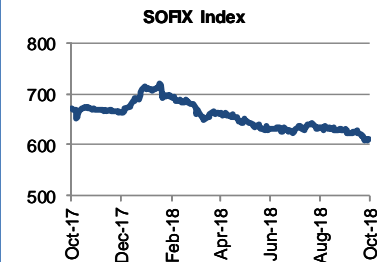
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	1	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	610.3	0.00%	-9.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7015	-0.05%	-4.24%



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

Data updated as of 10:03 EEST

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