



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday 18 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:** Taking their lead from Wall Street's hefty losses overnight, European bourses opened lower earlier today on mounting concerns about the global growth outlook. In FX markets, the USD remained under pressure for the second session in a row on the view that mounting global growth concerns may prompt the Fed to take a pause in its monetary tightening cycle earlier than previously expected. Favored by the USD's weakness, the GBP/USD gained some ground in spite of mounting UK political uncertainty. UK Prime Minister Theresa May announced that UK MPs will vote on the Brexit deal in the week commencing 14 January while the leader of the main opposition, Jeremy Corbyn, tabled a motion of confidence in Theresa May as Prime Minister.

**GREECE:** According to the preliminary State Budget Execution data for January – November 2018, the overall fiscal balance registered a surplus of €2.6bn, against a targeted deficit of €1.0bn in the 2019 Budget and a deficit of €0.8bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €7.6bn, against a targeted 2019 Budget primary surplus of €4.1bn. The 2019 State Budget is being discussed at the Hellenic Parliament and is expected to be voted tonight. Meanwhile, the 6<sup>th</sup> Chamber of the Hellenic Council of State ruled yesterday that the cut of the Easter, Christmas and summer bonuses of public sector employees after 2012 was contrary to the Constitution. Due to its severity, the case will now be brought before the Plenum of the Council, which however is not expected to judge differently.

### SOUTH EASTERN EUROPE

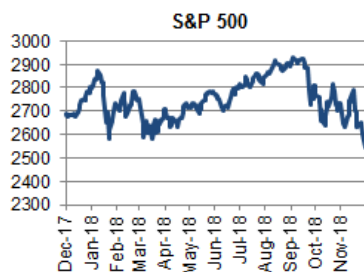
**CESEE MARKETS:** The majority of emerging market assets weakened earlier on Tuesday amid worries about slower global economic growth and slow progress in resolving the US-China trade dispute. Trailing losses in major global bourses, the MSCI emerging Markets index stood 0.4% weaker in early European trade compared to Monday's settlement. The picture is somewhat mixed in the CESEE region with regional bourses trading both sides and major local currencies firming modestly earlier today.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Wall Street's hefty losses overnight, European bourses opened lower earlier today on mounting concerns about the global growth outlook. US data released yesterday showed that the NAHB December housing sentiment index unexpectedly declined for the second consecutive month coming in at a 3½ year low of 56 from 60 in the prior month. Another attack from US President Donald Trump on the Fed for considering raising interest rates on the eve of this week's two-day monetary policy meeting, which commences later today, was also a reason behind the souring market sentiment towards risk assets. Losses more than 2.0% in the three major US equity indices overnight favored the allure of US Treasuries with the yields falling by around 2-2.5bps on the day across the complete curve. Market expectations that, in spite of an anticipated further 25bps rate hike from the Fed this week, the updated interest rate projections are likely to point to a slower than previously thought pace of policy normalization in 2019, also favored US sovereign paper. In FX markets, the USD remained under pressure for the second session in a row. The EUR/USD was 0.2% firmer on the day albeit still within the 1.1300—1.1400 recent trading range while the GBP/USD has gained some ground in spite of mounting UK political uncertainty. UK Prime Minister Theresa May announced that UK MPs will vote on the Brexit deal in the week commencing 14 January while the leader of the main opposition, Jeremy Corbyn, tabled a motion of confidence in Theresa May as Prime Minister. Such a vote is not binding and the government is not obliged to hold it, contrary to a confidence vote within the government that could lead to a general election under the Fixed Term Parliaments Act.

[pptropoulou@eurobank.gr](mailto:pptropoulou@eurobank.gr)

### GREECE

According to the preliminary State Budget Execution data for January – November 2018, the overall fiscal balance registered a surplus of €2.6bn, against a targeted deficit of €1.0bn in the 2019 Budget and a deficit of €0.8bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €7.6bn, against a targeted 2019 Budget primary surplus of €4.1bn. The primary balance over-performance was mainly driven by: a) higher than projected revenue before tax refunds (by €0.2bn), b) lower than projected tax refunds (by €0.5bn) and c) lower than targeted ordinary and Public Investment Budget (PIB) expenditure (by €1.3bn and €1.6bn respectively). With regard to general government arrears, which at the end of October stood at €2.6bn (including tax arrears), the Alternate Finance Minister George Chouliarakis stated yesterday that almost €1.0bn will be disbursed to the private sector. The disbursement of the remaining amount (ca €1.6bn) will be delayed as a result of the legal disputes between the public sector and its private contractors. The 2019 State Budget is being discussed at the Hellenic Parliament and is expected to be voted tonight. Meanwhile, the 6<sup>th</sup> Chamber of the Hellenic Council of State ruled yesterday that the cut of the Easter, Christmas and summer bonuses of public sector employees after 2012 was contrary to the Constitution. Due to its severity, the case will now be brought before the Plenum of the Council, which however is not expected to judge differently and will likely have a significant fiscal impact. In other news, the government submitted an amendment to the out-of-court workout legal framework, whereby it increased the debt limit to €300,000 (from €50,000 currently) for eligibility to the simplified procedure and gave companies the option to settle their debts to the state and social security funds upon bilateral agreement, i.e. without the consent of private creditors when quorum cannot be attained. Additionally, the law is extended for one year, i.e. until 31 December 2019.

[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

The majority of emerging market assets weekend earlier on Tuesday amid worries about slower global economic growth and slow progress in resolving the US-China trade dispute. Trailing losses in major global bourses, the MSCI emerging Markets index stood 0.4% weaker in early European trade compared to Monday's settlement. The picture is somewhat mixed in the CESEE region with Zagreb CRBEX leading the gains with an approximate 0.61% advance. On the other hand, indices in Poland and Hungary posted modest losses at the time of writing.

In FX markets, the majority of the regional currencies firmed modestly earlier today with the Turkish Lira and the Polish Zloti depreciating slightly against the Euro while the EUR/HUF hovered around levels of 323,40 in anticipation of today's monetary policy meeting of the Hungarian Central Bank.

In the local debt markets, last Friday, S&P revised Serbia's outlook to positive from stable based on stronger economic growth and fiscal overperformance and affirmed the country's ratings at BB and B for long and short term sovereign debt respectively. S&P forecasts that Serbian economy will expand by an average 3.0% annually in 2019-2021 on the back of robust investments and solid consumption while the policy coordination arrangement with the IMF supports the required reforms in the country.

Today's focus mostly centers around the upcoming Central Bank monetary policy meeting announcement in Hungary where no changes in the key policy rate are expected while later today, the Bulgarian current account data for October will be released.

[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

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

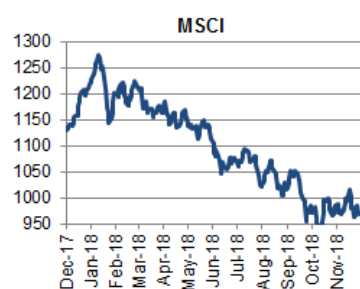
\* on a cash basis

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	2545.94	-2.1%	-4.8%	EUR/USD	1.1344	0.0%	-5.5%	UST - 10yr	2.84	-1	44	GOLD	1246	0.0%	-4.4%
Nikkei 225	21115.45	-1.8%	-7.2%	GBP/USD	1.2625	0.0%	-6.6%	Bund-10yr	0.25	-1	-18	BRENT CRUDE	59	-1.5%	-12.2%
STOXX 600	343.26	-1.1%	-11.8%	USD/JPY	112.6	0.2%	0.1%	JGB - 10yr	0.02	-2	-2	LME X	2875	0.0%	-15.9%

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.40	0	-12
1-week	2.51	-1	-10
1-month	2.69	-1	-16
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	-81
7Y RSD	4.16	0	-101

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.05	0	106

**CDS**

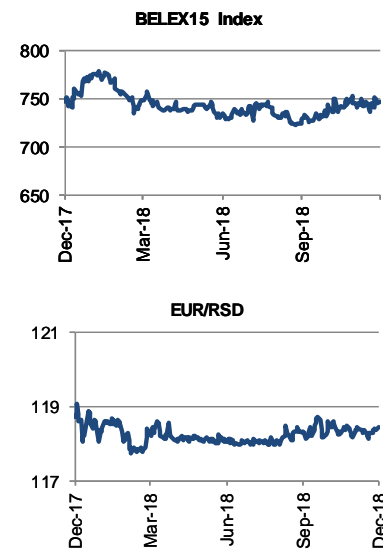
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	746.9	0.19%	-1.69%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.42	0.02%	0.41%



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.69	0	60
1-month	2.71	0	84
3-month	3.04	0	99
6-month	3.33	0	106
12-month	3.51	0	119

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	40
5Y RON	4.12	0	34
10Y RON	4.73	0	41

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.28	0	129

**CDS**

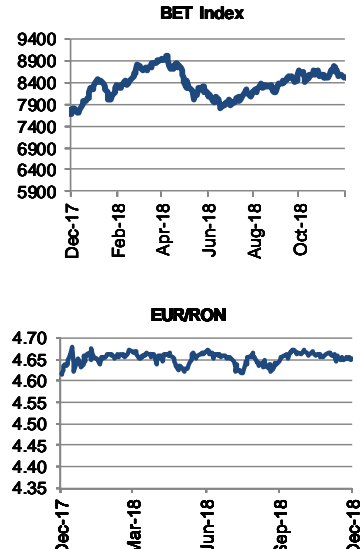
	Last	ΔDbps	ΔYTD bps
5-year	105	0	15
10-year	149	0	15

**STOCKS**

	Last	ΔD	ΔYTD
BET	8524.7	-0.58%	9.94%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.652	-0.05%	0.28%



**BULGARIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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**

	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	-1	1
5Y BGN	0.08	0	-7
10Y BGN	0.76	0	-21

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	0	8
EUR Sep-24	0.56	0	-1

**CDS**

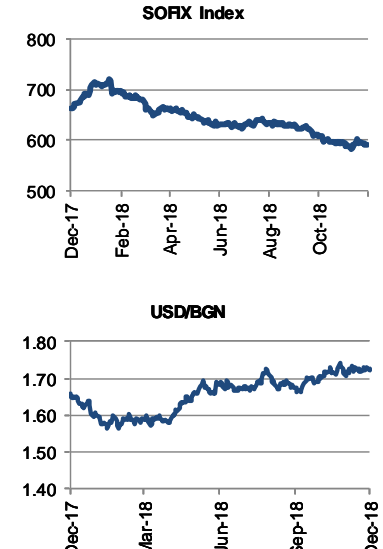
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	1	-14

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	591.2	0.28%	-12.73%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7242	-0.02%	-5.50%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 8:50 EEST

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## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Ioannis Gkionis**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma**  
(Special Contributor)  
Research Economist,  
Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Stelios Gogos**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Theodoros Stamatou**  
(Special Contributor)  
Senior Economist, Eurobank  
Ergasias  
+30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

**Maria Kasola**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371224  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos:** Group Chief Economist  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou:** Economic Analyst  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Marisa Yiannisis:** Administrator  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +210 3371242

**Ioannis Gkionis:** Senior Economist  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Dr. Stylianos Gogos:** Economic Analyst  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Maria Kasola:** Economic Analyst  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 3371224

**Olga Kosma:** Research Economist  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Paraskevi Petropoulou:** Senior Economist  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Dr. Theodoros Stamatou:** Senior Economist  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou:** Economic Analyst  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [Research@eurobank.gr](mailto:Research@eurobank.gr)

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