

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 19 November 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Nov 19: NAHB Housing market index (Nov)
- Nov 20:
  - Housing Starts (Oct)
  - Building Permits (Oct)
- Nov 21
  - Mortgage Applications (16/11)
  - Durable Goods Orders (Oct, Prel)
  - Jobless claims (17/11)
  - Leading Index (Oct)
  - Existing Home Sales (Oct)
  - U. Michigan Sentiment (Nov, Final)
  - Markit Manufacturing PMI (Nov, Prel)
  - Markit Services PMI (Nov, Prel)
  - Markit Composite PMI (Nov, Prel)

#### EUROZONE

- Nov 19:
  - ECB Current Account (Sep)
- Nov 22:
  - Consumer Confidence (Nov, Adv)
- Nov 23:
  - Markit Manufacturing PMI (Nov, Prel)
  - Markit Services PMI (Nov, Prel)
  - Markit Composite PMI (Nov, Prel)

#### GREECE

- Nov 20:
  - Current Account Balance (Sep)

#### SEE

##### BULGARIA

- Nov 19:
  - Current Account Balance (Sep)

##### SERBIA

- Nov 20: GDP (Q3, Final)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Following President Donald Trump's upbeat comments on Friday that he may not impose additional tariffs on Chinese imported goods as China offered a list of potential measures in order to resolve trade tensions, the majority of global equity indices started the week on a positive tone on Monday. In the government bond markets, US Treasuries firmed with the 10yr respective yield falling a three-week low of 3.06% in European trade on Monday, following Fed Vice Chair Richard Clarida comments on Friday that there is some evidence of a slowing global economy. In FX markets, the DXY dollar index traded around a 10-day low of 96.323 at the time of writing on Monday, while the GBP/USD firmed somewhat on Monday trading around 1.2852 at the time of writing as Prime Minister Theresa May is travelling to Brussels this week in an effort to progress on the Brexit deal.

**GREECE:** The 2019 state budget is expected to be tabled to the Greek Parliament on Wednesday and politically endorsed by the Eurogroup at its 3 December meeting. The budget will not incorporate the pre-legislated pension cuts in 2019 while it will include a number of expansionary measures. Meanwhile, the European Commission is reportedly expected to release its first Enhanced Post Programme Surveillance review on Greece also on Wednesday.

### SOUTH EASTERN EUROPE

**BULGARIA:** The main Bulgarian equities index SOFIX continued its gradual slide closing at 595.31 points, 0.41% lower compared to previous week's closing.

**SERBIA:** The EUR/RSD remained bound within a 118.00 – 118.40 trading range in the past week.

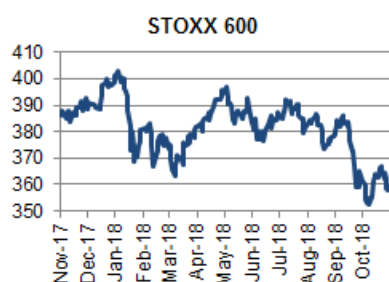
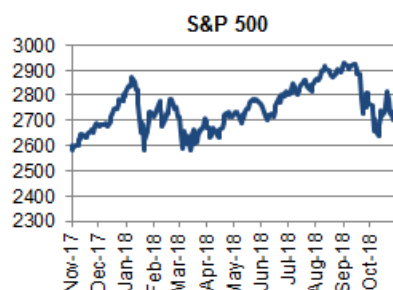
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Monday 19 November 2018

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following President Donald Trump's upbeat comments on Friday that he may not impose additional tariffs on Chinese imported goods as China offered a list of potential measures in order to resolve trade tensions (potentially the basis of a trade deal at the G20 summit on 30 November), the majority of global equity indices started the week on a positive tone on Monday. Nevertheless, US Vice President Pence adopted a more hawkish stance towards China over the weekend, highlighting that the US would "not change course until China changes its ways." Mirroring the ongoing trade war frictions, the US and China failed for the first time ever to agree on a joint statement at the APEC summit on Sunday. In the government bond markets, US Treasuries firmed with the 10yr respective yield falling a three-week low of 3.06% in European trade on Monday, following Fed Vice Chair Richard Clarida comments on Friday that there is some evidence of a slowing global economy, which policymakers should take into account when taking interest rate decisions in the short-term, as well as Chicago Fed President Charles Evans' comments that he wants to move monetary policy to neutral, i.e. another 50bps or so beyond that level. As a result, the probability for a December hike has come down to 73% from over 90% previously, while fed fund futures currently imply rates around 2.74% for end-2019, compared to 2.93% at the beginning of November. In FX markets, the DXY dollar index traded around a 10-day low of 96.323 at the time of writing on Monday, after having hit a 16-month high of 97.69 on 12 November, while the EUR/USD increased to a 10-day high of 1.1429 in early European trade on Monday despite weaker euro area growth fundamentals. Elsewhere, the GBP/USD firmed somewhat on Monday trading around 1.2852 at the time of writing as Prime Minister Theresa May is travelling to Brussels this week in an effort to progress on the Brexit deal, after having hit a two-week low of 1.2724 on Thursday amid Brexit-related turmoil. Looking at this week's calendar, US October housing starts and building permits data are due on Tuesday, while on Wednesday the EC is due to publish its opinion on the budget plans of euro area countries, including Italy. The OECD is also expected to publish its updated economic forecasts on the same day.

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### GREECE

The 2019 state budget is expected to be tabled to the Greek Parliament on Wednesday and politically endorsed by the Eurogroup at its 3 December meeting. The budget will not incorporate the pre-legislated pension cuts in 2019 while the expansionary measures will likely include a rent subsidy, a reduction in the property tax (ENFIA) by 10%, an increase in the heating benefit, a reduction in the social contribution of freelancers, a subsidy in the social contribution of new workers, a reduction in the corporate tax from 29% to 28%, a reduction in the taxation of dividends and the recruitment of employees for the "help at home" programme and special schools. Furthermore, the projected over-performance for 2018 is expected to exceed EUR1 billion and will be used primarily for the compensation of various categories of public servants following relevant court decisions and the payment of a social dividend to weaker households. Meanwhile, the European Commission is reportedly expected to release its first Enhanced Post Programme Surveillance review on Greece on Wednesday 21 November. According to press sources, the report will among others point to delays in the implementation of structural reforms and privatisations. In other news, the out-of-court workout mechanism, which was launched in August 2017 in order to help towards the reduction of NPLs, has rather poor results so far. According to press reports, by now 57,159 debtors (businesses, freelancers and farmers) have initiated the procedure, 4,774 have filed an application and, out of these, 876 cases have concluded successfully.

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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

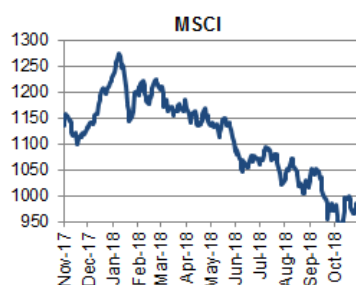
\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: 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+

### BULGARIA\*

The main Bulgarian equities index SOFIX continued its gradual slide closing at 595.31 points, 0.41% lower compared to previous week's closing. The weekly turnover was higher finishing at EUR 3mn. External government bond yields remained unchanged across the board, while longer term local paper yields dropped by 1-2 bps.

### SERBIA\*

The EUR/RSD pair is currently receding from last week's high at 118.40 as the CPI figure for October, which came in last Wednesday at 2.2% YoY, improved meagerly compared to that of September, which came in at 2.1% YoY. Furthermore, EUR/RSD rate attempted to break the 118.00 fragment but was supported by the NBS that intervened in order to hedge obstructive market aspirations. Concluding, the EUR/RSD rate consolidated around 118.10/30, which is the closing price as well for the past week. Looking forward, chances are slim that the pair will slide below 118.0 given the aforementioned reappearance of the NBS on the FX market.

Looking forward, with bullish investors having in mind NBS's intention not to allow the EUR/RSD rate to slide below 118.0 and therefore currently stepping into EUR purchases, as we approach the year end the EUR/RSD may hike again around 118.60 as the aforementioned investors may refill their positions in RSD at the said point of time.

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\*We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank Beograd for their invaluable contribution in today's issue.

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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	2736.27	0.2%	2.3%	EUR/USD	1.1425	0.1%	-4.8%	UST - 10yr	3.09	2	68	GOLD	1221	0.0%	-6.3%
Nikkei 225	21821.16	0.6%	-4.1%	GBP/USD	1.2875	0.3%	-4.8%	Bund-10yr	0.39	3	-3	BRENT CRUDE	67	0.7%	0.5%
STOXX 600	359.93	0.6%	-7.5%	USD/JPY	112.8	0.0%	-0.1%	JGB - 10yr	0.10	-1	5	LMEX	2918	0.7%	-14.6%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	0	-8
1-week	2.55	0	-6
1-month	2.70	0	-15
3-month	3.01	0	-11
6-month	3.14	0	-10

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-1	-120
5Y RSD	3.59	0	-71
7Y RSD	4.17	0	-101

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.18	0	119

## CDS

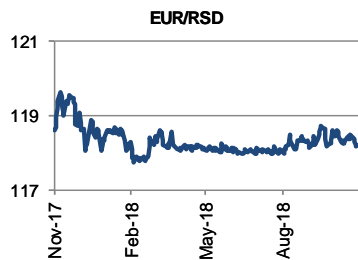
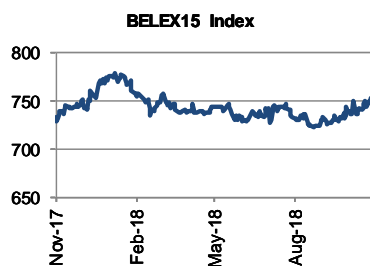
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	153	-2	-9

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.7	-0.91%	-1.86%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.91	0.13%	0.00%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.54	0	145
1-month	3.12	0	125
3-month	3.22	0	117
6-month	3.44	0	117
12-month	3.59	0	127

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.05	0	67
5Y RON	4.46	0	68
10Y RON	4.96	0	65

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.41	0	141

## CDS

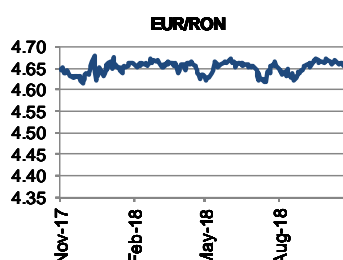
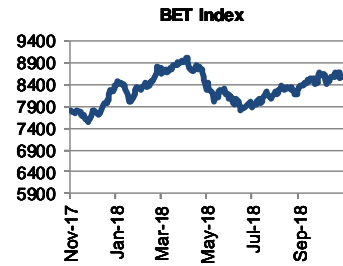
	Last	ΔDbps	ΔYTD bps
5-year	107	5	17
10-year	149	3	16

## STOCKS

	Last	ΔD	ΔYTD
BET	8574.6	0.00%	10.59%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6649	-0.05%	0.00%



## 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	-0.06	0	0
5Y BGN	0.07	-1	-8
10Y BGN	0.78	0	-19

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	2	9
EUR Sep-24	0.61	-6	3

## CDS

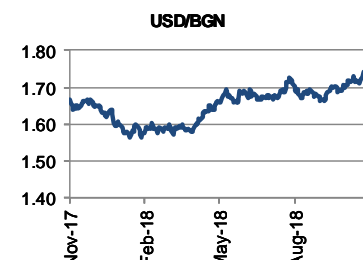
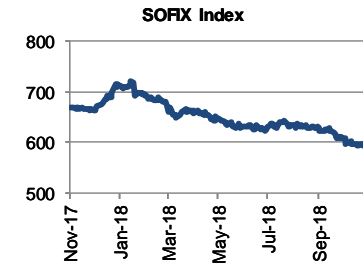
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-18
10-year	125	0	-16

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	594.6	-0.12%	-12.23%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7118	0.06%	-4.81%



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

Data updated as of 10:23 EEST

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