

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 20 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
 - 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)
- Nov 22: Holiday (Thanksgiving)

EUROZONE

- Nov 19: Euro area current account (Sep)
- Nov 22
 - Consumer confidence (Nov, Adv)
 - EU Commission publishes final opinion on Italy's budget
- Nov 23:
 - Markit Manufacturing PMI (Nov, Prel)
 - Markit Services 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 Taking their lead from Wall Street's losses overnight, global equity markets were under pressure in early trade today weighed down by worries over a slowing global growth momentum, lingering US/China trade tensions, rising borrowing costs and concerns that a peak in corporate earnings is probably behind us. Global equity markets' lackluster performance favored the safe-haven appeal of core government bonds. In FX markets, the USD remained under pressure on soft US data and concerns that the positive US growth momentum is likely to start losing pace. Meanwhile, the GBP remained volatile across the board on rising political uncertainty with press reports suggesting that hard Brexiteers are six letters short of the threshold required for the Chair of the 1922 Committee calling for a vote of confidence in Theresa May as Conservative party leader.

GREECE: According to the Hellenic Statistical Authority (ELSTAT), the overall turnover index in industry in September 2018 recorded an increase of 14.3%YoY when in September 2017 the change was -0.5%YoY. For the 12-month period from October 2017 to September 2018 the average Overall Turnover Index in Industry increased by 10.8%YoY while in September 2017, the corresponding rate of change of the Overall Turnover Index in Industry was 11.4%YoY.

SOUTH EASTERN EUROPE

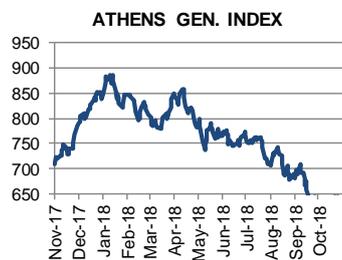
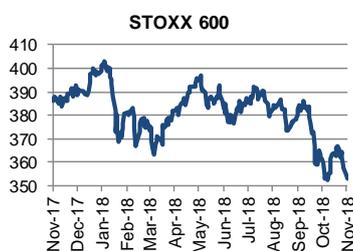
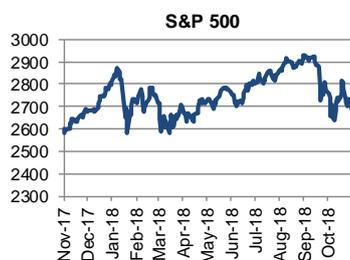
CESEE MARKET DEVELOPMENTS: Following last week's losses in regional currencies and bond markets, this week has opened in a mixed mode and continues as such with Brexit turmoil weighing on markets' performance and risk sentiment. Fitch Ratings affirmed Bulgaria's long term sovereign debt in FX at "BBB" with stable outlook.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Wall Street's losses overnight, global equity markets were under pressure in early trade today weighed down by worries over a slowing global growth momentum, lingering US/China trade tensions, rising borrowing costs and concerns that a peak in corporate earnings is probably behind us. Global equity markets' lackluster performance favored the safe-haven appeal of core government bonds. The 10-yr UST yield was standing close to 3.057% in European trade at the time of writing, within distance from Monday's seven-week closing low of 3.052% driven by poor US data showing that the National Association of Home Builders (NAHB) housing market index dropped from 68 in October to a lower than expected 60 in November, the lowest level since August 2016 on the back of rising mortgage rates and tight home inventory. In addition, comments by Fed Vice Chairman Richard Clarida late last week that he is seeing evidence of a slowing global economy and that policymakers need to account for that when making interest rate decisions over the near term, continued to have an impact. Meanwhile, the 10-yr Bund yield was hovering around 0.375% at the time of writing, not far from a three-week closing low of 0.348% marked a few sessions ago amid lingering Brexit jitters, worries over the Eurozone's economic growth prospects and fears over an escalating standoff between the EU Commission and Italy. The EU Commission is expected to publish on Wednesday its final opinion on Italy's 2019 budget plan and is highly likely to take the first step towards initiating an excessive deficit procedure against Italy even as of this week after the latter refused to make major changes in its 2019 budget in order to comply with EU fiscal rules. Turning to FX markets, the USD remained under pressure on soft US data and concerns that the positive US growth momentum is likely to start losing pace. Against this background, the EUR/USD extended its recent gains hitting a two-week intraday high of 1.1472 earlier today. Meanwhile, the GBP remained volatile across the board on rising UK political uncertainty with press reports suggesting that hard Brexiters are six letters short of the threshold required for the Chair of the 1922 Committee calling for a vote of confidence in Theresa May as Conservative party leader.

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GREECE

According to the Hellenic Statistical Authority (ELSTAT), the overall turnover index in industry in September 2018 recorded an increase of 14.3%YoY when in September 2017 the change was -0.5%YoY. The change is attributed to an increase of 14.7%YoY in the manufacturing sector and a 9.9% increase in the mining and quarrying sector. At the same time the turnover index in industry for the domestic market rose by 10.4%YoY and in the non-domestic market by 19.4%YoY. It should be noted that industry confidence had increased for three months in a row from July to September 2018 but fell by -3.7 units in October 2018. For the 12-month period from October 2017 to September 2018 the average Overall Turnover Index in Industry increased by 10.8%YoY while in September 2017, the corresponding rate of change of the Overall Turnover Index in Industry was 11.4%YoY.

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Latest economic & market developments in the CESEE region

CESEE MARKET DEVELOPMENTS

Following last week's losses in regional currencies and bond markets, this week has opened in a mixed mode and continues as such with Brexit turmoil weighing on markets' performance and risk sentiment. Polish financial markets continue to perform negatively across all asset classes mainly due to the noise from the domestic banking sector scandal that burst out on past Friday and pertained to a non-systemic bank (Getin Noble Bank) owner's accusations against the head of the Financial Supervision Authority (KNF) over the latter trying to extract a bribe from the first. This week's calendar appears rather poor with our attention focusing on EU 28 & EA 19 PMI indicators on Friday that will provide an indications as to whether strong growth momentum in the region, as depicted in the European Commission's Autumn European Economic Forecast released earlier this month, is still vivid or not.

In other news, Fitch Ratings affirmed Bulgaria's long term sovereign debt in FX at "BBB" with stable outlook. In brief, GDP growth, inflation, fiscal and credit metrics are broadly in line with the current "BBB" median but income level lags behind compared to peers. Concluding, the current rating is sensitive on the upside towards stronger medium term potential and income convergence, further supported by the broadly EU positive stance towards Bulgaria's entry into ERM-2. However, the demographic issue remains an important challenge for the domestic economy, which could constrain growth and burden public finances in the long run.

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

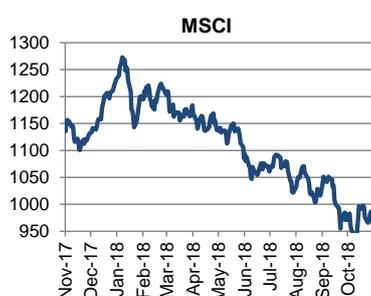
* ESA 2010

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+

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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	2690.73	-1.7%	0.6%	EUR/USD	1.1462	0.1%	-4.5%	UST - 10yr	3.06	0	65	GOLD	1225	0.1%	-6.0%
Nikkei 225	21583.12	-1.1%	-5.2%	GBP/USD	1.2866	0.1%	-4.8%	Bund-10yr	0.37	-1	-6	BRENT CRUDE	66	-0.7%	-0.9%
STOXX 600	352.82	-0.6%	-9.3%	USD/JPY	112.46	0.1%	0.2%	JGB - 10yr	0.10	1	5	LME X	2929	0.4%	-14.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	0	-8
1-week	2.55	0	-6
1-month	2.69	-1	-16
3-month	3.00	-1	-12
6-month	3.13	-1	-11

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	4.18	0	118

CDS

	Last	ΔDbps	ΔYTD bps
5-year	114	1	-4
10-year	154	1	-8

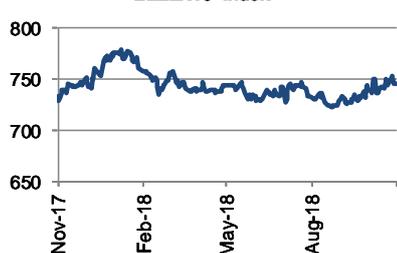
STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.9	-0.11%	-1.96%

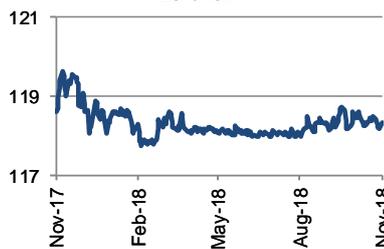
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	-0.03%	0.45%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	0	150
1-month	3.15	0	128
3-month	3.23	0	118
6-month	3.44	0	117
12-month	3.6	0	128

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.06	0	67
5Y RON	4.46	0	68
10Y RON	4.99	0	68

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	1	-2
USD Jan-24	4.44	2	144

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	-4	14
10-year	148	-1	15

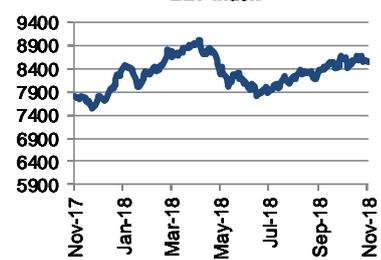
STOCKS

	Last	ΔD	ΔYTD
BET	8552.7	-0.16%	10.30%

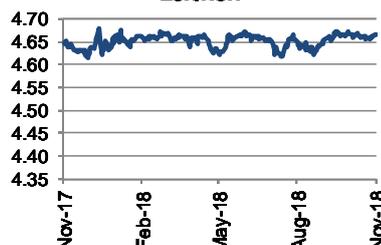
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6667	-0.01%	-0.04%

BET Index



EUR/RON



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	1	0
5Y BGN	0.07	1	-7
10Y BGN	0.76	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	-2	10
EUR Sep-24	0.62	5	5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	1	-18
10-year	126	1	-15

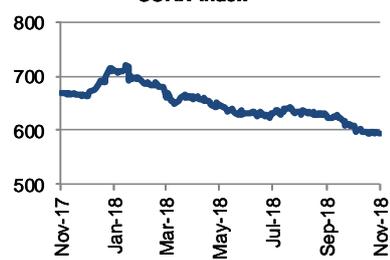
STOCKS

	Last	ΔD	ΔYTD
SOFIX	592.7	0.00%	-12.51%

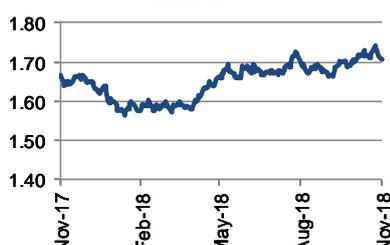
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7063	0.08%	-4.51%

SOFIX Index



USD/BGN



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

Data updated as of 10:35 EEST

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