

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: The Federal Reserve raised the fed funds rate by a further 25bps to a range of 2.25%-2.50% at this week's two-day meeting which concluded late yesterday, as expected. The forward guidance in the statement was slightly modified. The Fed reiterated that "further gradual increases in the federal funds rate" will be required noting thought that it is now its "judgment" rather than its "expectation" that some further rate tightening will be consistent with the dual mandate. Global equity markets' reaction to the Fed's verdict was negative. Investors who were expecting an imminent full pause in the Fed's rate tightening cycle were disappointed while comments by Fed Chair Jerome Powell that the Central Bank has no plans to change the pace of balance sheet reduction, in spite of the recent sharp fall in equity markets and rising uncertainty about the global growth outlook, also exerted a negative impact. In FX markets, the USD extended its recent losses with the EUR/USD hitting a six-week high of 1.1475 earlier today. News that the European Commission and the Italian government reached a deal on the 2019 budget, avoiding the triggering of an Excessive Deficit Procedure, favored the common currency.

SOUTH EASTERN EUROPE

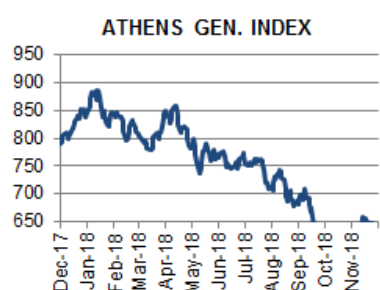
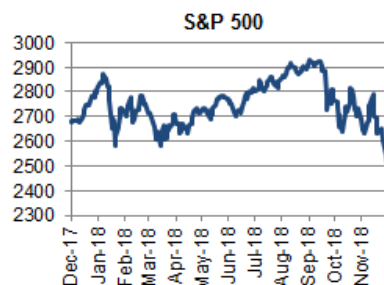
BULGARIA: The current account surplus shrank by 28.8% YoY in October 2018, coming in at €56.1mn vs €78.8mn in October 2017.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the Federal Reserve raised the fed funds rate by a further 25bps to a range of 2.25%-2.50% at this week's two-day meeting which concluded late yesterday. In the accompanying post-meeting statement, economic growth was still described as "strong" and risks were still assessed as "roughly balanced". However, in an addition not included in the previous statement, the Committee noted that it will continue to closely monitor financial market developments and the implications for the economic outlook, sounding more cautious about the growth outlook. The forward guidance in the statement was slightly modified. The Fed reiterated that "further gradual increases in the federal funds rate" will be required noting thought that it is now its "judgment" rather than its "expectation" that some further rate tightening will be consistent with the dual mandate. The 2019 GDP growth projection was revised lower to 2.3% from 2.5% previously with Fed Chair Jerome Powell noting in his press conference that "overall financial conditions have tightened- that is, they have become less supportive of growth". Growth projections for 2020 and 2021 were left unchanged at 2.0% and 1.8%, respectively. The updated median projections (the "dots") showed two rate hikes for 2019 (down from three) followed by one more in 2020 while the longer-run natural rate has been lowered to 2.8% from 3.0%. Global equity markets' reaction to the Fed's verdict was negative. Investors who were expecting an imminent full pause in the Fed's rate tightening cycle were disappointed while comments by the Fed Chair that the Central Bank has no plans to change the pace of balance sheet reduction, in spite of the recent sharp fall in equity markets and rising uncertainty about the global growth outlook, also exerted a negative impact. Risk assets' losses favored the safe-haven appeal of US Treasuries with the 10-yr yield falling slightly below 2.75% for the first time since early April. In FX markets, the USD extended its recent losses with the DXY index falling to a one month low of 96.322 earlier today. Favored by the USD's broad-based weakness, the EUR/USD hit a six-week peak of 1.1475 earlier today, standing 0.9% higher on the day and 1.5% firmer so far this week. News that the European Commission and the Italian government reached a deal on the 2019 budget, avoiding the triggering of an Excessive Deficit Procedure, also favored the common currency.

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Latest economic & market developments in the CESEE region

BULGARIA

According to the latest BNB data, the current account surplus (CA) in October 2018 shrunk by 28.8% YoY, coming in at €56.1mn vs €78.8mn in October 2017. That deterioration was entirely driven by a widening of the trade in goods deficit (net exports at €233mn vs €58mn, i.e. ca +%300 YoY). While exports expanded by 11.1% YoY, imports grew by a stronger pace (+17.8% YoY), presumably on the back of hefty domestic demand. On the flipside, the services trade surplus increased on an annual basis (+64%YoY), with the overall trade balance coming in at €76mn.

On a cumulative basis, the CA surplus in January - October 2018 shrunk by 29% YoY and stood at €2.6bn (4.9% GDP) vs €3.67bn (7.1%) in January - October 2018. Over the same period, FDI accumulated to €842mn, reduced by 21.3% YoY.

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Thursday 20 December 2018

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	2506.96	-1.5%	-6.2%	EUR/USD	1.1415	0.4%	-4.9%	UST - 10yr	2.76	0	35	GOLD	1249	0.4%	-4.2%
Nikkei 225	20392.58	-2.8%	-10.4%	GBP/USD	1.2651	0.3%	-6.4%	Bund-10yr	0.21	-3	-21	BRENT CRUDE	56	-1.6%	-15.7%
STOXX 600	341.52	0.3%	-12.2%	USD/JPY	111.87	0.5%	0.7%	JGB - 10yr	0.03	-1	-2	LMEX	2846	0.6%	-16.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.41	0	-11
1-week	2.54	0	-7
1-month	2.71	0	-14
3-month	3.03	-2	-9
6-month	3.16	-2	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.04	-2	-124
5Y RSD	3.48	0	-82
7Y RSD	4.16	-1	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.01	-1	103

CDS

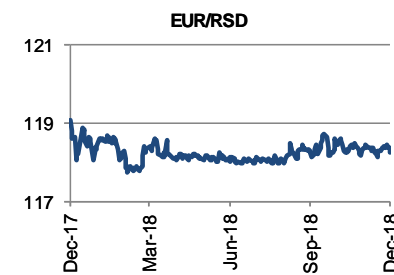
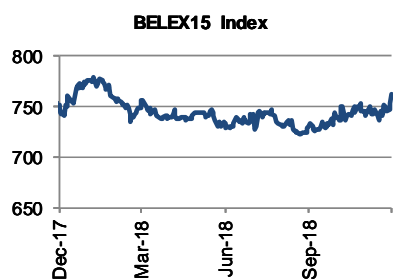
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	762.1	1.11%	0.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	0.04%	0.48%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.71	0	62
1-month	2.75	0	88
3-month	3.04	0	99
6-month	3.33	0	106
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.01	0	62
5Y RON	4.33	0	55
10Y RON	4.89	0	57

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	-1
USD Jan-24	4.24	0	125

CDS

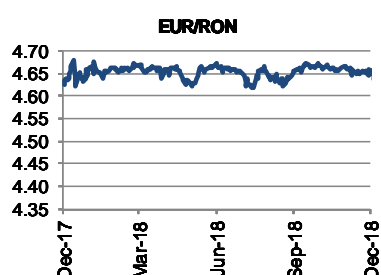
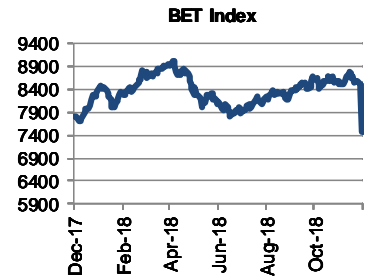
	Last	ΔDbps	ΔYTD bps
5-year	105	0	15
10-year	149	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	7475.2	-11.21%	-3.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6569	0.06%	0.17%



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	-0.08	-3	1
5Y BGN	0.09	-1	-5
10Y BGN	0.76	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	0	6
EUR Sep-24	0.51	0	-6

CDS

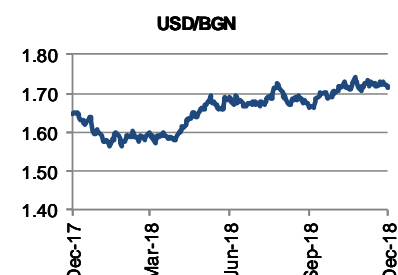
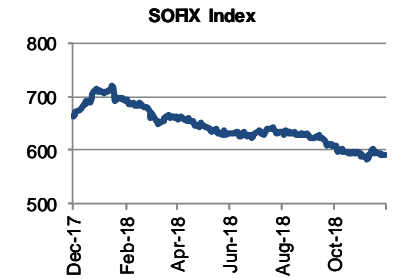
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	589.7	-0.42%	-12.96%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7136	0.33%	-4.91%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:20 EEST

Thursday 20 December 2018

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