

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: The European Commission is expected to state its final opinion on Italy's 2019 budget plan to the government today and is highly likely to take the first step towards initiating an excessive deficit procedure against Italy after the latter refused to make major changes in its 2019 budget plan in order to comply with EU fiscal rules. Awaiting the European Commission's assessment, the EUR/USD was 0.7% weaker on the day while the GBP remained volatile across the board on mounting UK political uncertainty. UK Prime Minister Theresa May will meet with Commission President Jean-Claude Juncker later today to discuss the outstanding issues in the Withdrawal Agreement including the political declaration on the future relationship.

GREECE: The 2019 State Budget, which will not incorporate the pension cuts as was agreed with official lenders, is expected to be tabled to the Hellenic Parliament today and politically endorsed by the Eurogroup at its 3rd December meeting. Meanwhile, the European Commission is expected to publish today its first review in the context of the Enhanced Post Programme Surveillance framework. According to press sources, the report will point to a number of delays in the implementation of agreed reforms and the privatisations programme. In other news, the Bank of Greece is expected to publicise tomorrow its proposal for the reduction of NPLs.

SOUTH EASTERN EUROPE

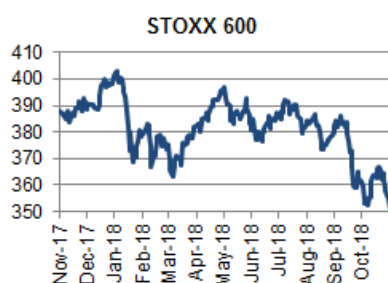
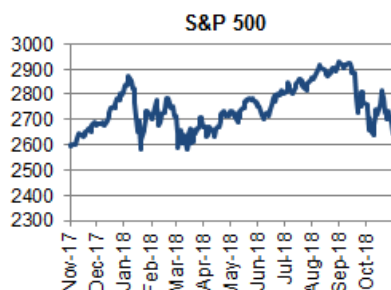
CESEE MARKET DEVELOPMENTS: Emerging market assets traded downwards in early European trade on Wednesday, pressured by US equity markets' losses overnight. The risk-off sentiment in the region is broadly fueled by concerns about global economic growth outlook while ongoing US/China trade dispute continues to weigh on investors' sentiment.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The European Commission is expected to state its final opinion on Italy's 2019 budget plan to the government today and is highly likely to take the first step towards initiating an excessive deficit procedure against Italy after the latter refused to make major changes in its 2019 budget plan in order to comply with EU fiscal rules. According to the Autumn Economic Forecast published earlier this month, the European Commission expects Italy's 2019 budget deficit to widen close to the ceiling of 3% of GDP (2.9%) from 1.9% in 2018 and projects a structural deficit of 3.0% of GDP next year, almost double that of 2018 (1.8%), implying a structural deterioration of 1.2% of GDP next year vs. 0.8% envisioned in Italy's 2019 budget plan. Awaiting the European Commission's assessment, the 10-yr BTP/Bund yield spread was hovering around 317bps in European trade at the time of writing, 10bps narrower from Tuesday's 4 ½ year closing peak. In FX markets, the EUR/USD was 0.7% weaker on the day standing close to the 1.1400 level at the time of writing after marking a two-week intraday high of 1.1472 at some point in the prior session. Meanwhile, European bourses were firmer in early trade today on bargain hunting following another session of large losses in Wall Street yesterday mostly pressured by lower technology stocks. US data showing a modest increase of 1.5% mom in October housing starts following a hefty drop of 5.5% mom a month earlier, failed to provide an impulse on US equity markets. US Treasuries retained an overall positive tone with the 10-yr yield standing some 3.5bps higher from Tuesday's seven-week closing low but around 17bps lower from this month's peak of 3.25% so far hit a fortnight ago. Meanwhile, the GBP remained volatile across the board on mounting UK political uncertainty as fierce opposition to the draft Withdrawal Agreement and resignation of some of the most high-profile cabinet ministers, put at risk the ratification process of the agreement. UK Prime Minister Theresa May will meet with Commission President Jean-Claude Juncker later today to discuss the outstanding issues in the Withdrawal Agreement including the political declaration on the future relationship. The EU27 have made clear that they do not intend to reopen negotiations over substantive issues of the Withdrawal Agreement, at least not before the UK parliament votes on it.

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GREECE

The 2019 State Budget, which will not incorporate the pension cuts as was agreed with official lenders, is expected to be tabled to the Hellenic Parliament today and politically endorsed by the Eurogroup at its 3rd December meeting. Meanwhile, the European Commission is expected to publish today its first review in the context of the Enhanced Post Programme Surveillance framework. According to press sources, the report will point to a number of delays in the implementation of agreed reforms and the privatisations programme. It cannot be excluded that the return of SMP/ANFA income will be postponed until policy commitments are fulfilled. It is reminded that according to the 22 June 2018 Eurogroup statement: "The available income equivalent amounts will be transferred to Greece in equal amounts on a semi-annual basis in December and June, starting in 2018 until June 2022". Consequently, had there been no delays, the first payment of EUR 600 million should take place in December 2018. In other news, the Bank of Greece is expected to publicise tomorrow its proposal for the reduction of NPLs. Commenting on this, SSM Chair Daniele Nouy reportedly stated that discussion on the proposed plan are ongoing but at an initial stage and that in any case DGComp will also have to endorse it.

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Latest economic & market developments in the CESEE region

CESEE MARKET DEVELOPMENTS

Emerging market assets traded downwards in early European trade on Wednesday, pressured by US equity markets' losses overnight. The risk-off sentiment in the region is broadly fueled by concerns about the global economic growth outlook while fears that we are still away from a US/China trade agreement following the APEC summit in the weekend, continue to weigh on investors' sentiment. At the time of writing all regional currencies remained under pressure for the second session in a row, recording losses up to 0.4% related to yesterday's close. Meanwhile, regional bourses are trading in a mixed mode with Polish WIG & WIG20 indices reporting gains of ca 0.5% compared to yesterday's settlement. The rest continue to trade in the red.

In other news, Serbia redeemed earlier than scheduled RSD10bn of 3-year government bonds maturing on 22 February of 2019. According to the Ministry of Finance, this is the first early redemption and a second, equivalent one, is scheduled to take place on December 18th, redeeming bonds of the same issuance. Following the two aforementioned redemptions and the repayment of a 5-year Eurobond of USD1bn expiring in early December, the debt-to-GDP ratio, currently standing at ca 60%, is expected to decline further.

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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

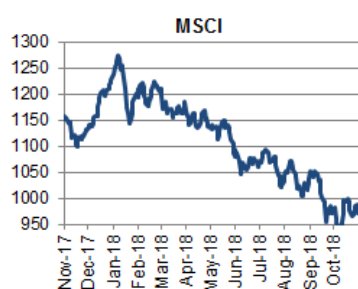
* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: 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+

Wednesday 21 November 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	2641.89	-1.8%	-1.2%	EUR/USD	1.1393	0.2%	-5.1%	UST - 10yr	3.08	1	67	GOLD	1223	0.1%	-6.1%
Nikkei 225	21507.54	-0.4%	-5.5%	GBP/USD	1.2806	0.1%	-5.3%	Bund-10yr	0.37	2	-6	BRENT CRUDE	63	1.5%	-5.1%
STOXX 600	351.06	-1.1%	-9.8%	USD/JPY	112.85	-0.1%	-0.1%	JGB - 10yr	0.10	-1	5	LME X	2902	-0.9%	-15.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.46	2	-6
1-week	2.55	0	-6
1-month	2.70	1	-15
3-month	3.04	4	-8
6-month	3.15	2	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-1	-120
5Y RSD	3.58	0	-71
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.19	0	119

CDS

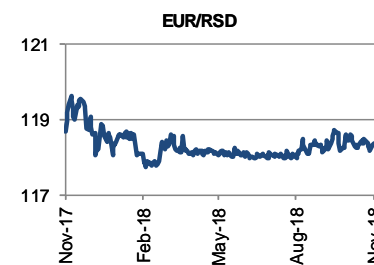
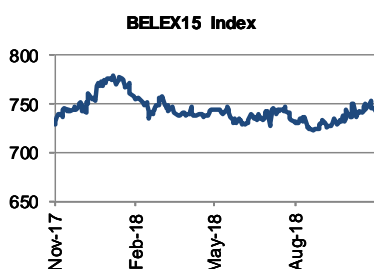
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-4
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.7	-0.43%	-2.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	-0.80%	0.44%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.69	0	160
1-month	3.17	0	130
3-month	3.24	0	119
6-month	3.45	0	118
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	4.99	0	68

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.44	-1	144

CDS

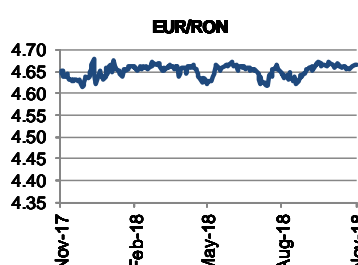
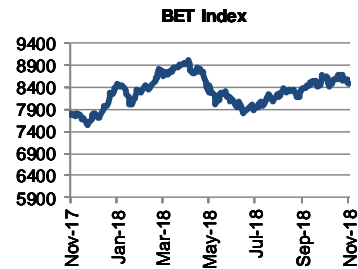
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	8483.3	-0.19%	9.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6653	0.00%	-0.01%



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	0.08	0	-7
10Y BGN	0.76	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	-4	10
EUR Sep-24	0.63	-2	6

CDS

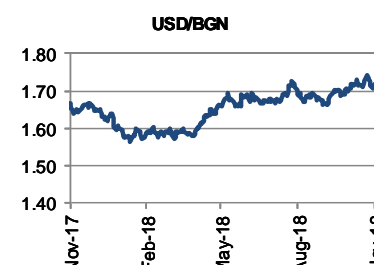
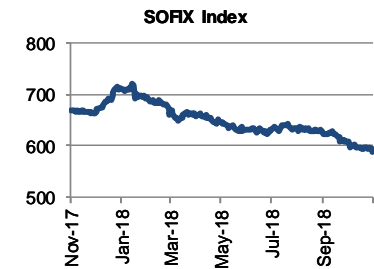
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	587.0	-0.96%	-13.35%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7167	0.22%	-5.09%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 9:15 EEST

Wednesday 21 November 2018

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