

Friday 21 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: Global equity markets extended recent losses in early trade on Friday as the Fed's message at this week's monetary policy meeting for some further rate tightening in the coming months, continued to weigh. The threat of a US government shutdown on Saturday morning, added to market uncertainties. US President Donald Trump refused to sign a bill to keep the government running through 8 February because it did not include a government spending bill of \$5bn for border wall funding, one of his signature campaign promises. The bill has been approved by the House and the Senate has until midnight today to give its consent or funding will expire for parts of the federal government, triggering a shutdown. Favored by increased risk aversion, government bonds retained a positive tone. In FX markets, the USD remained under pressure, poised for its biggest weekly drop since mid-February.

GREECE: According to the Bank of Greece's Interim Report on Monetary Policy 2018 that was submitted yesterday to the Greek Parliament and the Cabinet, the real GDP growth rate for 2018, 2019 and 2020 is expected at 2.1%, 2.3% and 2.2% respectively, mainly supported by private investment, exports and private consumption.

SOUTH EASTERN EUROPE

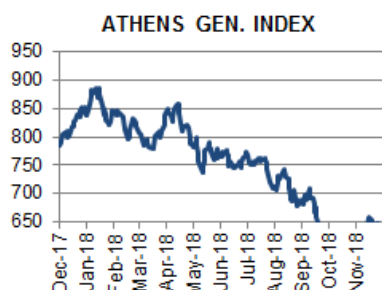
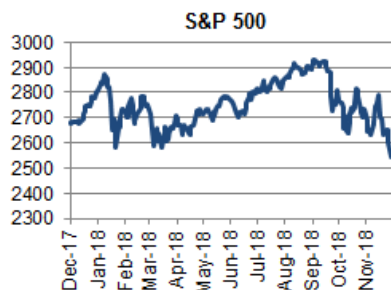
CESEE MARKETS: The majority of emerging market assets weakened earlier on Friday, with the MSCI, after closing in the black yesterday, reverting to its four previous sessions' losing streak following the Fed's message at this week's meeting for some further rate tightening ahead. The picture is somewhat similar in the CESEE region with regional bourses trading in the red and major local currencies, apart from the Hungarian forint and the Romanian Leu, posting modest losses against the euro earlier today.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets extended recent losses in early trade on Friday as the Fed's message at this week's monetary policy meeting for some further rate tightening in the coming months, continued to weigh. Comments by Fed Chair Jerome Powell at the post-meeting press conference that, in spite of the recent sharp fall in equity markets and rising uncertainty about the global growth outlook, the Central Bank has no plans to change the pace of balance sheet reduction, also continued to exert a negative impact. The threat of a US government shutdown on Saturday morning, added to looming risks and market uncertainties. US President Donald Trump refused to sign a bill to keep the government running through 8 February because it did not include a government spending bill of \$5bn for border wall funding, one of his signature campaign promises. The bill has been approved by the House and the Senate has until midnight today to give its consent or funding will expire for parts of the federal government, triggering a shutdown. The resignation of Tim Harris, US Defense Secretary, after the US President proposed withdrawing troops from Syria, added to the defensive mood.

Favored by increased risk aversion, government bonds retained a positive tone. After falling to a more than eight month low of around 2.75% on Thursday, the 10-yr US yield was standing close to 2.80% in European trade at the time of writing, some 1.5bps lower compared to yesterday's close and around 46bps lower from a seven year high marked in early October. The 2/10-yr yield curve undertook some bullish flattening with the respective spread hovering around 12bps at the time of writing, not far from a seven-year closing low of 10.7bps recorded earlier this month. In FX markets, the USD remained under pressure due to the threat of a US government shutdown and lower UST bond yields. The DXY index was standing close to 96.498 at the time of writing, 0.2% higher on the day but around 1.0% lower on a weekly basis, its biggest weekly drop since mid-February.

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GREECE

According to the Bank of Greece's Interim Report on Monetary Policy 2018 that was submitted yesterday to the Greek Parliament and the Cabinet, the real GDP growth rate for 2018, 2019 and 2020 is expected at 2.1%, 2.3% and 2.2% respectively, mainly supported by private investment, exports and private consumption. On the fiscal front, the Bank of Greece acknowledged the progress made so far and the overachievement of the 2017 primary surplus target but, at the same time, highlighted the negative impact of the fiscal over-performance on the real economy via the increased tax burden. Regarding the financial sector, the efficient management of the NPEs represents the main open issue for the Greek banking system in 2019. Finally, the Bank of Greece admitted that the excessive taxation, the delays and/or the back tracking on the implementation of structural reforms, the privatization programme and the fiscal effect from the enforcement of the Council of State ruling on the pensions cuts of previous years, constitute the main domestic headwinds for the fulfillment of the aforementioned economic projections and the achievement of public debt sustainability.

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Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market assets weakened earlier on Friday, with the MSCI, after closing in the black yesterday, reverting to its four previous sessions' losing streak following the Fed's message at this week's meeting for some further rate tightening ahead. The picture is somewhat similar in the CESEE region with regional bourses trading in the red and major local currencies, apart from the Hungarian forint and the Romanian Leu, posting modest losses against the euro earlier today.

Earlier in the week, the Hungarian central bank kept its key policy rate stable at 0.9%, which is the lowest in the Central Eastern Europe. The statement's more hawkish than expected tone, as a clause referring to maintaining loose monetary conditions was omitted, helped the forint to move higher against the Euro from Tuesday onwards despite this week's data showing a shrinking Q3 account surplus.

The Central Bank of Czech Republic convened yesterday as well, where the key policy rate was kept unchanged at 1.75%, vindicating markets expectations for stable interest rates after four consecutive hikes.

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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

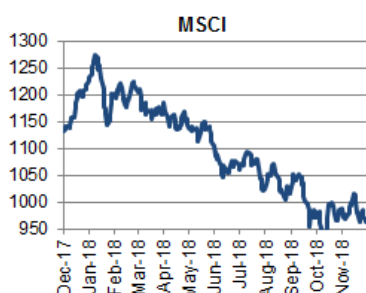
* on a cash basis

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



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	2467.42	-1.6%	-7.7%	EUR/USD	1.1423	-0.2%	-4.8%	UST - 10yr	2.79	-1	39	GOLD	1259	-0.1%	-3.4%
Nikkei 225	20166.19	-1.1%	-11.4%	GBP/USD	1.2663	0.0%	-6.3%	Bund-10yr	0.24	1	-19	BRENT CRUDE	54	0.3%	-18.5%
STOXX 600	334.72	-0.6%	-14.0%	USD/JPY	111.22	0.1%	1.3%	JGB - 10yr	0.05	2	0	LMEX	2838	-0.3%	-17.0%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.40	-1	-12
1-week	2.54	0	-7
1-month	2.71	0	-14
3-month	3.05	2	-7
6-month	3.18	2	-6

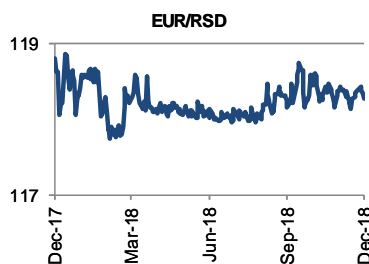
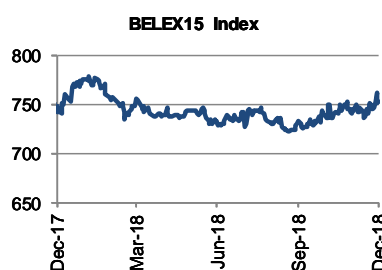
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-121
5Y RSD	3.50	2	-80
7Y RSD	4.17	0	-101

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.97	0	97

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	153	-1	-9

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	753.3	0.31%	-0.85%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.25	0.04%	0.56%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.06	131	197
1-month	2.88	8	101
3-month	3.04	1	99
6-month	3.33	0	106
12-month	3.52	0	120

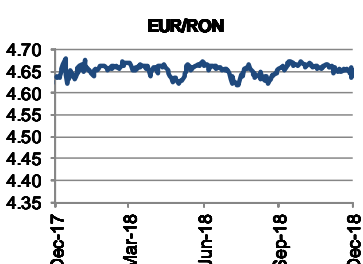
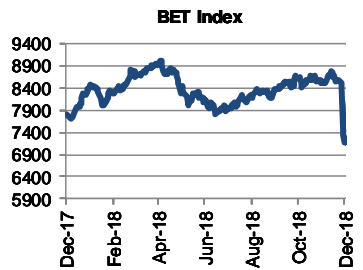
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	64
5Y RON	4.33	0	55
10Y RON	4.83	0	52

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	1	0
USD Jan-24	4.19	-3	120

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	105	1	15
10-year	147	-1	14

STOCKS			
	Last	ΔD	ΔYTD
BET	7171.2	-2.20%	-7.51%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6533	-0.38%	0.25%



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

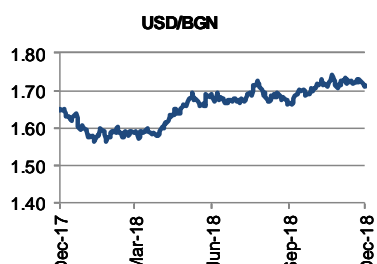
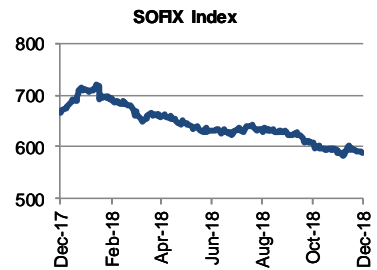
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	-1	0
5Y BGN	0.09	0	-5
10Y BGN	0.74	0	-22

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	-1	3
EUR Sep-24	0.50	1	-7

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

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	588.3	-0.08%	-13.16%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7124	-0.21%	-4.85%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:20 EEST

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