

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 & 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 & 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: In its updated economic outlook report released yesterday, the OECD said that the global expansion has peaked and revised lower its global GDP growth estimate for 2019 to 3.5% from 3.7% previously, citing continued headwinds from trade tensions, tighter financial conditions and higher oil prices. As was broadly expected, the European Commission took the first step towards initiating an excessive deficit procedure against Italy, confirming "the existence of particularly serious non-compliance" with the recommendations addressed to the country by the Council in mid-July. In FX markets, investors paid little attention to the European Commission's verdict with the EUR/USD standing 0.2% firmer on the day while Italian government bonds did not suffer too much amid hopes that the dispute between the European Commission and the Italian government will be resolved.

GREECE: The first EPPS report on Greece released yesterday by the EC defends the decision to freeze the pre-legislated pension cuts in 2019 mainly on the grounds that it is neither to reach nor to sustain a primary surplus target of 3.5% of GDP over the medium term. At the same time, the agreed package of discretionary measures is expected to have a positive impact against poverty and potentially support growth, albeit modestly. Meanwhile, as regards reforms, progress is mixed with delays being encountered in areas such as the staffing, human resources management and Reform Action Plan of the IAPR, arrears clearance, health care, product markets, appointment of administrative secretaries, and some privatisations while more needs to be done towards the reduction of NPLs. As regards sovereign financing, Greece's buffer currently amounts to over EUR 26 billion, comfortably covering financing needs up to end-2020.

SOUTH EASTERN EUROPE

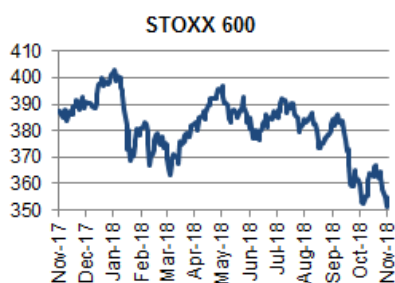
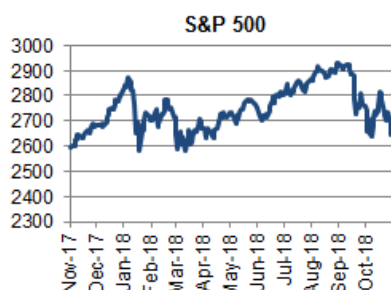
CYPRUS: The positive momentum in the tourism sector continued into 10M-2018.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global growth concerns prevail with investors retaining an overall cautious stance against risk assets and core government bonds remaining well supported. In its updated economic outlook report released yesterday, the OECD said that the global expansion has peaked and revised lower its global GDP growth estimate for 2019 to 3.5% from 3.7% previously, citing continued headwinds from trade tensions, tighter financial conditions and higher oil prices. The 2018 global growth projection was left unchanged at 3.7% while for 2020 the OECD projects a growth rate of 3.5%. Turning to FX markets, investors paid little attention to the European Commission's verdict on Italy's 2019 draft budget with the EUR/USD standing slightly above the 1.1400 level at the time of writing, 0.2% firmer on the day. As was broadly expected following the Italian government's reluctance to make major changes in its 2019 budget plan in order to comply with EU fiscal rules, the European Commission took the first step towards initiating an excessive deficit procedure against Italy yesterday, confirming "the existence of particularly serious non-compliance" with the recommendations addressed to the country by the Council in mid-July. Amid hopes that the dispute will be resolved, Italian government bonds did not suffer too much with the 10-yr yield standing around 3.5% at the time of writing, c. 3bps higher on the day but still some 20bps below a one month intraday peak recorded earlier this week ahead of the European Commission's assessment. Meanwhile, the USD's recent uptrend seems to have come to a halt with the DXY standing 0.1% lower on the day and more than 1% weaker from this month's more than a year peak on market talk that the Fed might pause its rate tightening cycle in the near future. US markets are closed due to the Thanksgiving holiday.

ppetropoulou@eurobank.gr

GREECE

The European Commission released yesterday its first, enhanced surveillance report on Greece. According to the report the pre-legislated pension cuts in 2019 are necessary neither to reach nor to sustain a primary surplus target of 3.5% of GDP over the medium term. Moreover, the freeze of this measure up to 2022 is projected to lead to the same level of pension spending as a share of GDP, in the steady state compared to the outcome without the freeze, i.e. fall below 17% in 2016 to the euro-area average of 13% by 2027. Finally, distributional analysis shows that the implementation of the pension cuts in 2019 would risk putting a significant number of pensioners at risk of poverty. At the same time, the agreed package of discretionary measures is expected to have a positive impact against poverty and potentially support growth, albeit modestly. Nevertheless, the report acknowledges that the under-spending, which has contributed to the budgetary over-performance in recent years, is an undesirable outcome both in terms of budget performance and growth. Recent court rulings contrary to pension reforms adopted during the ESM and earlier programmes also constitute a downside risk. Meanwhile, as regards reforms, progress is mixed with delays being encountered in areas such as the staffing, human resources management and Reform Action Plan of the IAPR, arrears clearance, health care, product markets, appointment of administrative secretaries, and some privatisations (particularly Egnatia motorway, HELPE and regional ports). Special mention is also made to a recent remuneration policy of the Ministry of Finance, which contradicts the reform of the uniform wage grid. Also more needs to be done towards the reduction of NPLs although progress has been made in that area as well. Finally, as regards sovereign financing, Greece's buffer currently amounts to over EUR 26 billion, comfortably covering financing needs up to end-2020.

andimitriadou@eurobank.gr

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

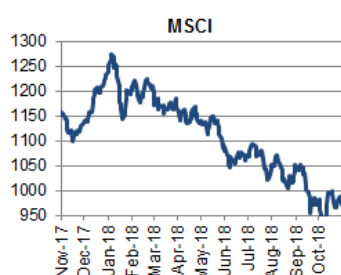
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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+

CYPRUS

The positive momentum in the tourism sector continued into 10M-2018. Tourist arrivals expanded by 6.6% YoY in the month of October 2018 to 433.6 thousand, up from 406.8 thousand in the same month a year earlier (October 2017). The month of August was the fortieth consecutive month with a positive rate of increase on an annual basis. This sets a new record as it was the highest volume of tourist arrivals ever recorded in Cyprus during October.

Overall, the number of tourist arrivals increased by 7.8% YoY in 10M-2018 (3,673,677 vs. 3,408,473 in the same period last year). Tourist arrivals from Eastern Europe countries such as Poland (+56.0% YoY) and Ukraine (+47.9 YoY) and Nordic countries such as Finland (+25.2% YoY) and Sweden (+12.3% YoY) recorded a hefty increase. Tourist arrivals from some traditional markets such as Germany (-1.8% YoY), Greece (+9.0% YoY), Israel (-11.4% YoY), and UK (+6.1% YoY) had a mediocre performance in 10M-2018. In addition, tourist arrivals from niche markets such as Russia (-4.9% YoY) were weak while tourist arrivals from Switzerland, a new niche tourist market for Cyprus have been growing fast in 2018 (+29.2% YoY).

Accordingly, tourism revenues also expanded by +2.4% YoY in January-August 2018 to €1,889.7mn, up from €1,845.7mn compared to the same period last year. However, the corresponding statistics for expenditure per person are on a declining trend. The expenditure per person for January – August 2018 reached €694,85 compared to €733,03 in the corresponding period of the previous year, recording a decrease of 5.2%. In fact, the expenditure per person/per day for the period of January – August 2018 compared to the period of January – August 2017 also recorded a decrease of 3.1% (from €77,98 to €75,53). Overall, the tourism industry is poised for another year of records in 2018 contributing to the GDP growth rebound of the Cypriot economy.

igkionis@eurobank.gr

Thursday 22 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	LMEX	2902	-0.9%	-15.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.46	0	-6
1-week	2.55	0	-6
1-month	2.69	-1	-16
3-month	3.04	0	-8
6-month	3.15	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-2	-122
5Y RSD	3.59	0	-71
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.19	0	119

CDS

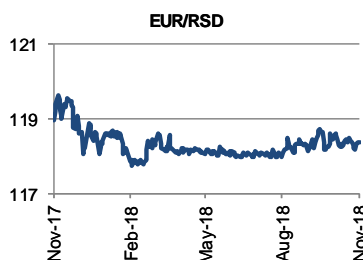
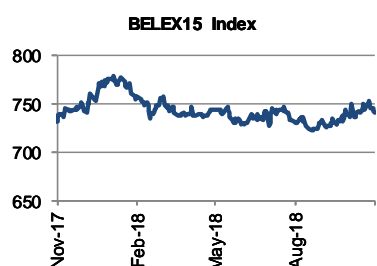
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-4
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.1	-0.08%	-2.46%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.53	-0.03%	0.32%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.77	0	168
1-month	3.2	0	133
3-month	3.25	0	120
6-month	3.46	0	119
12-month	3.59	0	127

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.06	0	67
5Y RON	4.46	0	68
10Y RON	5.00	0	69

RO Eurobonds

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

CDS

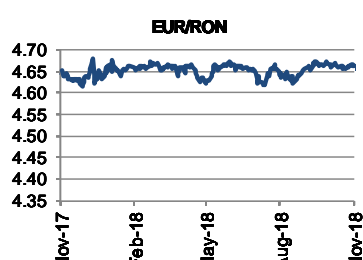
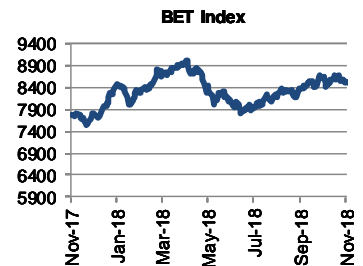
	Last	ΔDbps	ΔYTD bps
5-year	104	1	14
10-year	149	1	16

STOCKS

	Last	ΔD	ΔYTD
BET	8499.8	-0.42%	9.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6612	0.03%	0.08%



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	0	-7
10Y BGN	0.76	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	2	10
EUR Sep-24	0.63	3	6

CDS

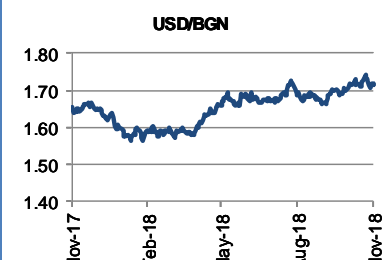
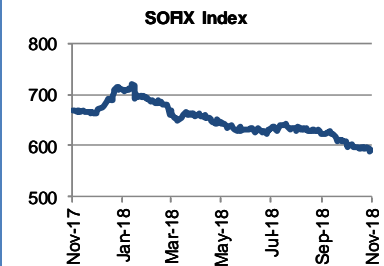
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	590.5	0.18%	-12.83%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7153	0.16%	-5.01%



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

Data updated as of 10:12 EEST

Thursday 22 November 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatiou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannisis: Administrator
magiannisi@eurobank.gr, +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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