

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 24 October 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 22:
Chicago Fed Economic Activity Index (Sep)
- Oct 23:
Richmond Fed Manufacturing Index (Oct)
- Oct 24:
 - Mortgage applications (19/10)
 - New home sales (Sep)
 - Markit PMI Composite index (Oct,p)
- Oct 25:
 - Pending home sales (Sep)
 - Wholesale inventories (Sep,p)
 - Durable goods orders (Sep,p)
 - Initial jobless claims (20/10)
- Oct 26:
 - GDP (Q3,a)
 - GDP deflator (Q3,a)
 - University of Michigan Consumer Sentiment (Oct)

EUROZONE

- Oct 23:
Consumer confidence (Oct,a)
- Oct 24:
 - Markit PMI Composite index (Oct,p)
 - Money supply (Sep)
- Oct 25:
ECB Monetary Policy Meeting
- Oct 26:
ECB Survey of Professional Forecasters

GREECE

- Oct 22:
Current Account (Aug)

SEE

BULGARIA

- Oct 26: Gross external debt

ROMANIA

- Oct 23:
Money supply (Sep)

SERBIA

- Oct 25:
Real gross wages (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Following losses in Wall Street overnight amid a series of negative earnings reports releases, Asian equity markets traded mixed on Wednesday, with major indices paring back earlier losses following the PBOC announcement that it plans to provide CNY 10bn to China Bond Insurance Co. so as to support debt sales by private firms. In response to global equity markets weakness, safe havens rallied with the 10-yr UST yield falling to 3.11% yesterday, its lowest level in almost three weeks, before increasing slightly to 3.14% in early European trade on Wednesday. In FX markets, the EUR/USD consolidated around 1.1460 in early European trade at the time of writing as Trump's verbal attack on Fed Chairman was offset by the uncertainty around Italy's public finances. As expected, the European Commission rejected on Tuesday Italy's 2019 Draft Budgetary Plan (DBA), noting that it is not compliant with EU rules on public spending and asking the Italian government to submit a revised DBA within three weeks.

GREECE: ESM Managing Director Klaus Regling reportedly expressed objections regarding the suspension of the legislated pension cuts on the grounds that the high primary surplus does not warrant such a decision and that the surplus could be used for growth enhancing policies and lower taxation. According to the Bank of Greece, in August 2018 travel receipts rose by 1.4%YoY, at a slower pace compared to August 2017 (+17.4%YoY) and July 2018 (+14.4%). For the period January – August 2018, travel receipts came in higher by 11.1%YoY compared to an increase of 9.8%YoY recorded in the corresponding period of 2017.

SOUTH EASTERN EUROPE

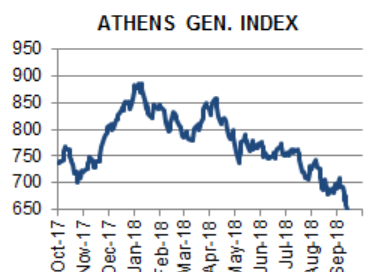
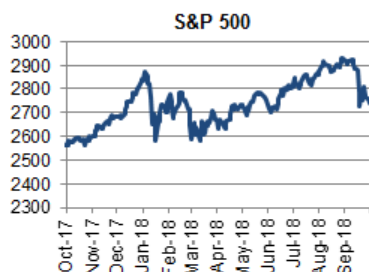
CYPRUS: On October 19th, Fitch became the second rating agency to upgrade the long-term sovereign rating of Cyprus in the post-Lehman era by one notch from BB+ to BBB- with a stable outlook.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following losses in Wall Street overnight amid a series of negative earnings reports releases, Asian equity markets traded mixed on Wednesday, with major indices paring back earlier losses following the PBOC announcement that it plans to provide CNY 10bn to China Bond Insurance Co. so as to support debt sales by private firms. The common thread amongst the worst EPS performers was the less than sanguine guidance on supply/material costs as rising real rates in the US start biting. In response to global equity markets weakness, safe havens rallied led by the belly with the 10-yr UST yield falling to 3.11% yesterday, its lowest level in almost three weeks, before increasing slightly to 3.14% in early European trade on Wednesday. In other news, in an interview to the Wall Street Journal, US President Trump said that Fed Chairman Jerome Powell “almost looks like he’s happy raising interest rates” and that he “maybe” regrets appointing him. In FX markets, the EUR/USD consolidated around 1.1460 in early European trade at the time of writing as Trump’s verbal attack on Fed Chairman was offset by the uncertainty around Italy’s public finances. As expected, the European Commission rejected on Tuesday Italy’s 2019 Draft Budgetary Plan (DBA), noting that it is not compliant with EU rules on public spending and asking the Italian government to submit a revised DBA within three weeks. Elsewhere, the USD/JPY increased to 112.50 in early European trade on Wednesday, after falling to a one-week low of 111.93 yesterday on global risk-off sentiment. In commodities markets, Brent crude oil price marked its worst day in over three months yesterday (-4.3%), plunging to its lowest level in more than two months, after Saudi Energy Minister’s comments that OPEC “will meet any demand that materializes” and ahead of the Energy Department’s announcement for US crude oil inventories expected tomorrow.

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GREECE

ESM Managing Director Klaus Regling reportedly expressed objections regarding the suspension of the legislated pension cuts on the grounds that the high primary surplus does not warrant such a decision and that the surplus could be used for growth enhancing policies and lower taxation. He also reiterated Greece’s commitment not to reverse the reforms that were agreed during the economic adjustment programme. As regards the country’s return to the markets, the ESM Head noted that the cash buffer suffices for the next two years but Greece does not necessarily need to wait that long to tap the markets. On the economic data front, according to the Bank of Greece, in August 2018 travel receipts rose by 1.4%YoY, at a slower pace compared to August 2017 (+17.4%YoY) and July 2018 (+14.4%). According to market sources, the said slowdown may be attributed to a strong come-back of Turkish tourism. Average non-resident expenditure per trip to Greece contracted -3.2%YoY against an increase of 3.4% YoY recorded in the same month of 2018. On the positive side, for the period January – August 2018, travel receipts came in higher by 11.1%YoY compared to an increase of 9.8%YoY recorded in the corresponding period of 2017.

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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: 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

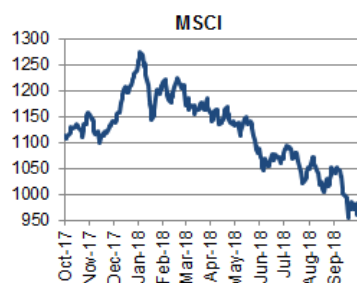
* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

CYPRUS

On October 19th, Fitch became the second rating agency to upgrade the long-term sovereign rating of Cyprus in the post-Lehman era by one notch from BB+ to BBB- with a stable outlook. According to Fitch, the decision reflects that Cyprus will maintain its prudent fiscal policy, which along with the buoyant revenues will maintain fiscal surplus high at 2.4% and 2.2% of GDP in 2019 and 2020, respectively, compared with 3.1% and 2.9% targeted in the 2019 Draft Budgetary Plan. Accordingly, the public debt to GDP ratio will remain on a firm downward trajectory, despite a one-off expected increase to 104.4% in 2018. Moreover, the rating agency acknowledged the decisive action to address the legacy issues of the banking system both in the area of strengthening the regulatory framework as well as the carve out of the CCB NPEs (ca. €5.7bn), which is expected to push down the NPE ratio to 30%, visible/reflected in the expected Central Bank data as of September.

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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

	Last	ΔD	ΔYTD
S&P 500	2740.69	-0.6%	2.5%
Nikkei 225	22091.18	0.4%	-3.0%
STOXX 600	356.01	0.6%	-8.5%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1433	-0.3%	-4.8%
GBP/USD	1.2951	-0.2%	-4.2%
USD/JPY	112.5	0.0%	0.2%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.14	-3	73
Bund-10yr	0.41	0	-2
JGB - 10yr	0.14	-2	9

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.32	1	-20
1-week	2.41	0	-20
1-month	2.62	-1	-23
3-month	2.94	0	-18
6-month	3.11	0	-13

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.19	2	-109
5Y RSD	3.65	-1	-65
7Y RSD	4.16	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.00	0	101

CDS

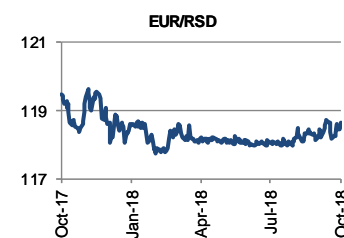
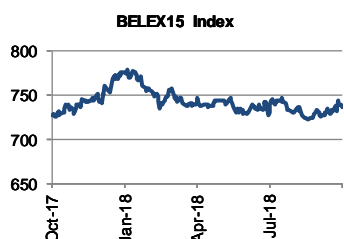
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	158	0	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.1	-0.46%	-3.12%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.49	0.10%	0.36%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.66	0	57
1-month	3.36	0	149
3-month	3.32	0	127
6-month	3.52	0	125
12-month	3.63	0	131

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.50	0	111
5Y RON	4.74	0	96
10Y RON	5.12	0	80

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.40	1	140

CDS

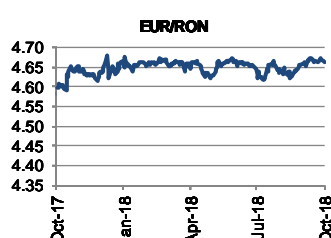
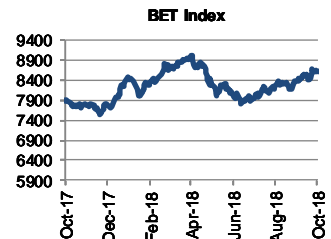
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	142	0	9

STOCKS

	Last	ΔD	ΔYTD
BET	8609.9	-0.37%	11.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6634	0.03%	0.03%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	-0.05	0	1
5Y BGN	0.07	0	-7
10Y BGN	0.78	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	0	10
EUR Sep-24	0.61	0	3

CDS

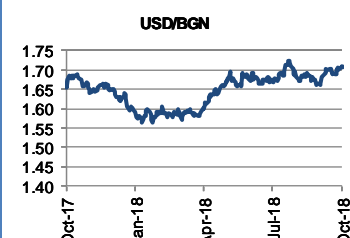
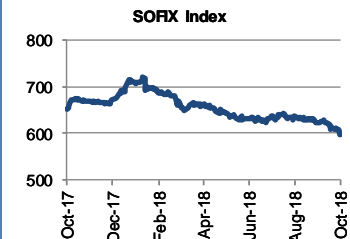
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.8	-0.04%	-11.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7106	-0.32%	-4.75%



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

Data updated as of 10:31 EEST

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