

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 26 November 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Nov 26:
  - Chicago Fed National Activity Index (Oct)
  - Dallas Fed Manufacturing Activity Index (Nov)
- Nov 27:
  - Consumer Confidence (Nov)
- Nov 28
  - MBA Mortgage Applications (23/11)
  - Wholesale & Retail Inventories (Oct)
  - GDP (Q3)
  - Core PCE (Q3)
  - New home sales (Oct)
- Nov 29
  - Initial Jobless Claims (24/11)
  - Personal Income & Spending (Oct)
  - PCE Core Prices (Oct)
  - Pending Home Sales (Oct)
- Nov 30
  - Chicago Purchasing Managers (Oct)

#### EUROZONE

- Nov 28: M3 Money Supply (Oct)
- Nov 29
  - Economic Confidence (Nov)
- Nov 30:
  - Unemployment Rate (Oct)
  - CPI Core (Nov Adv)

#### GREECE

- Nov 29
  - Economic Sentiment (Nov)
- Nov 30
  - PPI (Oct)
  - Retail Sales (Sep)

#### SEE

##### BULGARIA

- Nov 28: Gross External Debt (Sep)
- Nov 30:
  - Budget Balance (Oct)
  - KPR Meeting

##### ROMANIA

- Nov 26: M3 Money Supply (Oct)

##### SERBIA

- Nov 30:
  - GDP (Q3, Final)
  - Trade Balance (Oct)

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Although Wall Street dropped in the post-Thanksgiving Friday's session on the back of an energy sector plunge, most global equity markets traded higher on Monday, while oil prices are showing signs of stabilization around levels of 59\$/bbl (Brent). In FX markets, the common currency was pressured by weak economic data for the euro area, with the EUR/USD trading around a week-low of 1.1324 in early European trade on Monday. Elsewhere, the British pound consolidated around levels of 1.2820 against the US dollar at the time of writing on Monday, following the Withdrawal Agreement sealed on Sunday. Focus now centres on whether the deal can get through the British parliament, expected to be held just before the next EU summit on December 13-14. Investors' attention is expected to focus on the G-20 Summit on Friday, which continues into the weekend, where trade talks between US President Donald Trump and Chinese President Xi Jinping are in the spotlight.

**GREECE:** According to press reports, the return of the first tranche of SMP/ANFA profits of EUR600 million, which is conditional on the progress on agreed reforms and privatisations, will be decided based on the second enhanced surveillance report of the European Commission, which is expected to be released in February 2019. The Bank of Greece proposal for the reduction of NPLs is expected to be submitted for approval to the SSM today.

### SOUTH EASTERN EUROPE

**CESEE MARKET DEVELOPMENTS:** Currencies in the CESEE region had a mixed performance while regional bond yields mostly fell last week.

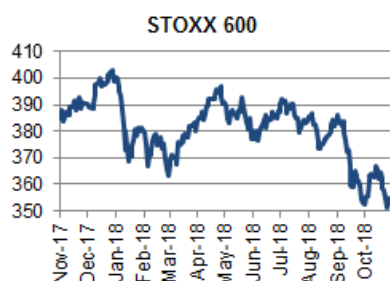
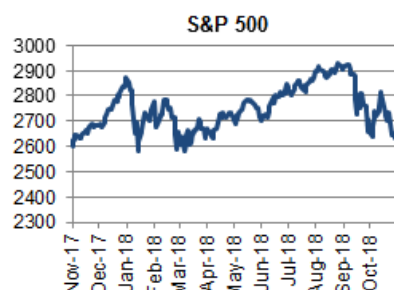
Source: Reuters, Bloomberg, Eurobank Research

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Monday 26 November 2018

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Although Wall Street dropped in the post-Thanksgiving Friday's session on the back of an energy sector plunge (biggest weekly losses in almost three years) amid signs of slowing demand and increasing US production, most global equity markets traded higher on Monday, while oil prices are showing signs of stabilization around levels of 59\$/bbl (Brent). Positioning remains short duration, though this has moderated over the last week (\$15m net longer across the curve). In FX markets, the common currency was pressured by weak economic data for the euro area, with the EUR/USD trading around a week-low of 1.1324 in early European trade on Monday. Euro area composite PMI came in softer than expected in November, falling -0.7points to its lowest level (52.4) since late 2014, remaining in expansionary territory albeit below long-term averages. The ongoing negotiations between the Italian government and the EC regarding Italy's 2019 budget plan have also put the euro under pressure, although Italian Deputy Prime Minister Matteo Salvini hinted in an interview on Sunday at the possibility of changing 2019 budget deficit target, noting that "nobody is fixated on 2.4% deficit target" and adding that "if there is a budget which makes the country grow, it could be 2.2% or 2.6%. Elsewhere, the British pound consolidated around levels of 1.2820 against the US dollar at the time of writing on Monday, following the Withdrawal Agreement sealed on Sunday with the European Union leaders highlighting that it was the "best possible" deal that the UK could have achieved. Focus now centres on whether the deal can get through the British parliament, expected to be held just before the next EU summit on December 13-14. In the government bond markets, Germany's 10-yr bond yield fell to a 2.5-month low of 0.331% on Friday amid slowing euro area economic momentum, before retreating around levels of 0.36% in European trade on Monday. Looking at this week's calendar, investors' attention is expected to focus on the G-20 Summit on Friday, which continues into the weekend, where trade talks between US President Donald Trump and Chinese President Xi Jinping are in the spotlight.

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### GREECE

According to press reports, the return of the first tranche of SMP/ANFA profits of EUR600 million, which is conditional on the progress on agreed reforms and privatisations, will be decided based on the second enhanced surveillance report of the European Commission, which is expected to be released in February 2019. For this purpose, the technical staff of the institutions are expected to come to Athens in January 2019. It should be noted that - according to the first enhanced surveillance report published last week - there were 16 reform commitments to be achieved by end-2018 and to-date all of them are progressing but none has been completed. In other news, the Bank of Greece proposal for the reduction of NPLs is expected to be submitted for approval to the SSM today. The plan has in principle received positive reactions by foreign financial institutions albeit with some concerns regarding certain technical details.

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Monday 26 November 2018

## Latest economic & market developments in the CESEE region

### CESEE MARKET DEVELOPMENTS

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

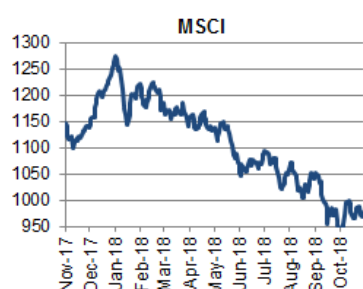
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* 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+

Currencies in the CESEE region had a mixed performance last week. In detail, the Polish Zloty gained back some earlier losses against the Euro as investors seem to have left behind the noise from the banking sector corruption scandal for the time being with GDP growth data for Q3 in Poland coming in positively and above expectations implying that GDP growth for Q4 could reach 4.8% YoY. At the time of writing, EUR/PLN rate is firm, standing close to Friday's closing price (4.29).

In Serbia, the EUR/RSD pair received a boost in the past week from fresh corporate demand and climbed to 118.45/65, which is the highest since October 26th. Apparently, the intervention in both sides (at 118.15 as a buyer and at 118.60 as a seller) by the National Bank of Serbia (NBS) is forcing market participants to react reluctantly on buying Euros at the upper bound around 118.60 and promptly on bid when exchange rate approaches 118.10.

Referring to regional bond yields, even though they mostly fell last week, external Bulgarian bond yields registered modest gains across the board, ranging between 2-4 bps. However, all Bulgarian treasury bills continued their recent inactivity and remained unchanged across all maturities.

Concluding, the main Bulgarian equity index SOFIX closed last Friday 1.07% lower on a weekly basis amid strong volume of EUR 2.9mn.

This week's regional calendar starts with Romanian M3 Money Supply data released later within the day, continues with unemployment data for October in Romania on Thursday Rate (KPR) by and closes with Serbian GDP growth rate final data for Q3 and Bulgarian Key Policy Rate announcement on coming Friday.

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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	2632.56	-0.7%	-1.5%	EUR/USD	1.1359	0.2%	-5.4%	UST - 10yr	3.06	2	65	GOLD	1228	0.4%	-5.8%
Nikkei 225	21812.00	0.8%	-4.2%	GBP/USD	1.282	0.1%	-5.2%	Bund-10yr	0.36	2	-7	BRENT CRUDE	60	1.7%	-10.6%
STOXX 600	353.98	0.4%	-9.0%	USD/JPY	113.25	-0.2%	-0.5%	JGB - 10yr	0.09	-1	4	LMEX	2902	-0.8%	-15.1%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.47	0	-5
1-week	2.56	0	-5
1-month	2.70	0	-15
3-month	3.03	0	-9
6-month	3.14	0	-10

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.09	-1	-119
5Y RSD	3.65	0	-64
7Y RSD	4.16	0	-101

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.18	0	119

## CDS

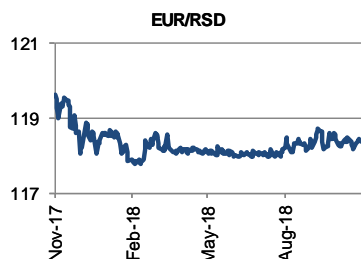
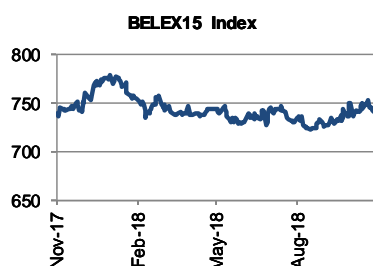
	Last	ΔDbps	ΔYTD bps
5-year	111	-2	-7
10-year	154	1	-8

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.3	-0.23%	-2.17%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.67	-0.87%	0.20%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.88	0	179
1-month	3.19	0	132
3-month	3.24	0	119
6-month	3.46	0	119
12-month	3.59	0	127

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.07	0	68
5Y RON	4.46	0	68
10Y RON	5.00	0	69

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-3
USD Jan-24	4.44	-1	144

## CDS

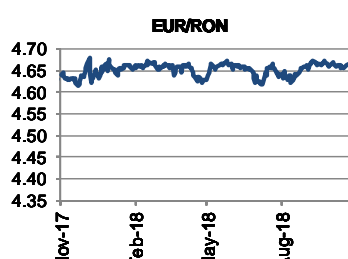
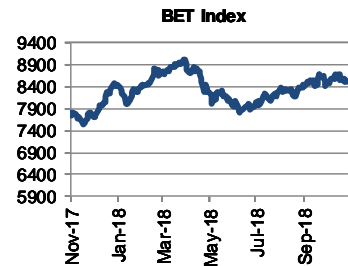
	Last	ΔDbps	ΔYTD bps
5-year	104	-1	14
10-year	148	-1	15

## STOCKS

	Last	ΔD	ΔYTD
BET	8522.8	0.09%	9.92%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.657	0.05%	0.17%



## 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	-1	0
5Y BGN	0.08	0	-7
10Y BGN	0.76	0	-21

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.08	0	12
EUR Sep-24	0.64	0	6

## CDS

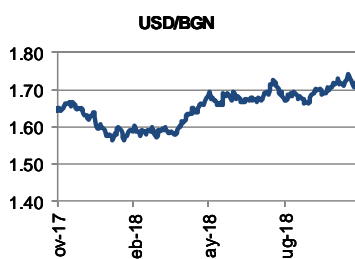
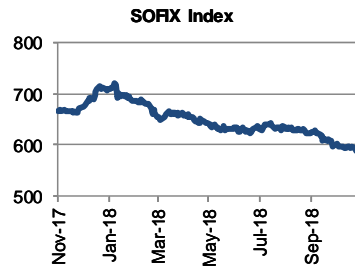
	Last	ΔDbps	ΔYTD bps
5-year	78	-1	-18
10-year	125	-1	-16

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	588.9	0.18%	-13.07%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7219	0.09%	-5.37%



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

Data updated as of 9:36 EEST

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