

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Nov 26:
  - Chicago Fed national activity index (Oct)
  - Dallas Fed manufacturing activity Index (Nov)
- Nov 27: CB consumer confidence (Nov)
- Nov 28
  - GDP (Q3, 2<sup>nd</sup> estimate)
  - New home sales (Oct)
  - FOMC Chair Jerome Powell speaks
- Nov 29
  - Initial jobless claims (24/11)
  - Personal income & spending (Oct)
  - Pending home sales (Oct)
- Nov 30
  - Chicago PMI (Oct)

#### EUROZONE

- Nov 26: German Ifo business climate (Nov.)
- Nov 28: M3 money supply (Oct)
- Nov 29
  - Economic sentiment indicator (Nov)
  - German CPI (Nov., prel.)
- Nov 30:
  - Unemployment rate (Oct)
  - CPI (Nov., prel.)

#### 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)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US-China trade conflict remains one of the major market themes with investors eagerly awaiting the planned meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 summit in Argentina on 31 November - 1 December. Against this background, investors retain a cautious stance towards risk assets while core government bonds remain well supported. Meanwhile, market sentiment towards Italy's assets improved this week amid hopes that the Italian government may consider changing the 2019 budget deficit target. In FX markets, the EUR/USD remained under pressure amid mounting worries over the Eurozone's growth outlook and the GBP continued to suffer on ongoing uncertainty over whether the Brexit Withdrawal Agreement and the political declaration will be approved by the UK parliament. It was announced yesterday that the UK parliament will vote on 11 December.

**GREECE:** The procedure for potential revision of the level of the statutory minimum wage has commenced with the competent scientific institutions and social partners submitting their proposals to the Centre for Planning and Economic Research, which will then prepare a comprehensive consultation plan for the Ministry of Finance. The final decision will be made by the Minister of Labour during the first fortnight of January 2019. On the privatisations front, the concessionaire of Hellinikon Lamda Development published a statement saying that construction works on the site will begin upon settlement of all pending issues, which will allow the transfer of the shares of Hellinikon SA from the State to the Company.

### SOUTH EASTERN EUROPE

**CYPRUS:** On November 23, DBRS became the third rating agency in the post-Lehman era to upgrade the long-term sovereign rating of Cyprus to investment grade status.

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## Latest world economic & market developments

### GLOBAL MARKETS

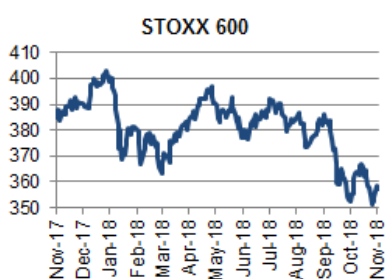
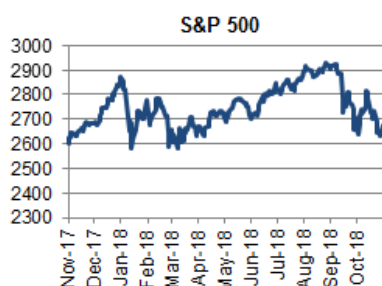


Chart Area



Source: Reuters, Bloomberg, Eurobank Research

US-China trade conflict remains one of the major market themes with investors eagerly awaiting the planned meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 summit in Argentina on 31 November - 1 December. In an interview with the WSJ on Monday, the US President warned that he will likely move ahead with raising tariff rates to 25% from 10% currently on \$200bn worth of Chinese imports in January 2019 and imposing a tariff rate of either 10% or 25% on the remaining imports worth \$267bn, if negotiations fail to produce a trade deal. His comments ran counter today's Chinese newswires suggesting that the two leaders agreed to reach a mutually beneficial agreement. Against this background, investors retain a cautious stance towards risk assets while core government bonds remain well supported with the 10-yr UST yield hovering not far from last week's 3.02% one-month intraday low. Fed Vice Chairman Richard Clarida speaks today but investors are likely to pay particular attention to Chair Jerome Powell's speech in NY on Wednesday for any hints on a likely pause in the Fed's interest rate tightening cycle next year. Turning to Italy, market sentiment towards the country's assets improved this week, resulting in the 10-yr BTP/Bund yield spread narrowing close to 290bps amid hopes that the Italian government may consider changing the 2019 budget deficit target. In a press release issued late yesterday after a meeting between Prime Minister Giuseppe Conte and the two Deputy Prime Ministers, Matteo Salvini and Luigi Di Maio, the government confirmed its intention to maintain a constructive dialogue with the European Commission adding that they await "technical reports" that would help "quantify the real costs" of the budget measures before pursuing talks with the European Commission. In FX markets, the EUR/USD remained under pressure hitting a fresh multi-session low of 1.1305 earlier today amid mounting worries over the Eurozone's growth outlook after yesterday's Germany data showed a bigger than expected drop in November Ifo business climate indicator. Meanwhile, the GBP continued to suffer on ongoing uncertainty over whether the Brexit Withdrawal Agreement and the political declaration will be approved by the UK parliament. It was announced yesterday that the UK parliament will vote on 11 December.

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### GREECE

The procedure for potential revision of the level of the statutory minimum wage has commenced with the competent scientific institutions and social partners submitting their proposals to the Centre for Planning and Economic Research, which will then prepare a comprehensive consultation plan for the Ministry of Finance. The final decision will be made by the Minister of Labour during the first fortnight of January 2019. It should be noted that in its enhanced surveillance report, the European Commission points out that "to safeguard competitiveness and to keep unemployment on a downward path, the revision needs to be made on the basis of a rigorous analysis of the underlying economic and labour market situation". On the privatisations front, the concessionaire of Hellinikon Lamda Development published a statement saying that construction works on the site will begin upon settlement of all pending issues, which will allow the transfer of the shares of Hellinikon SA from the State to the Company. According to press reports, among others the concessionaire expects that the all appeals of anyone opposing the project will mature. Meanwhile, based on the enhanced surveillance report published by the European Commission last week, delays are recorded in the urban planning and environmental approvals as well as the award of a casino license. Furthermore, current private and public users of the property have reportedly not moved out yet.

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## Latest economic & market developments in the CESEE region

### CYPRUS

On November 23, DBRS became the third rating agency in the post-Lehman era to upgrade the long-term sovereign rating of Cyprus to investment grade status. More specifically, DBRS upgraded the long-term sovereign rating by two notches from BB low to BBB low with a stable outlook (they call it “trend”). The upgrade decision was driven by the material reduction of NPEs, which reflects the government’s and banks’ stepped up effort to reduce the NPEs. The liquidation of the Co-operative Bank and the sales of NPEs are expected to halve the stock of NPEs in the banking system by the end of the year. Moreover, the rating upgrade is also driven by the solid performance of the Cypriot economy so far in 2018. Cyprus is on track to expand by 4% YoY in FY2018, one of the strongest growth rates in the Euro-area. According to the DBRS, risks to the ratings are broadly balanced. The ratings could come under upward pressure from sustained healthy economic growth and sound fiscal position as well as progress in reducing private sector debt and banking system NPEs. On the other hand, the ratings could come under negative pressure in a period of significantly weak growth combined with large fiscal imbalances or materialization of large contingent liabilities.

On May 25th, DBRS had upgraded the long-term sovereign rating of Cyprus by one notch from BB (Low) to BB with a positive outlook. Overall, all major rating agencies upgraded their long-term sovereign rating of Cyprus in 2018, awarding at least one notch in their respective rankings. Yet, Moody’s is the only one among them that classifies Cyprus two notches below investment grade status (currently at Ba2, last upgrade in July).

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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

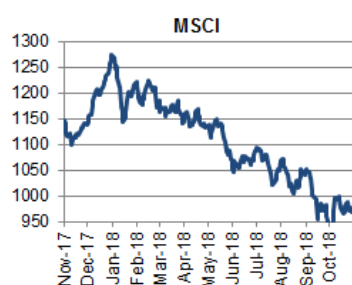
\* ESA 2010

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+

Tuesday 27 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	2673.45	1.6%	0.0%	EUR/USD	1.1316	-0.1%	-5.7%	UST - 10yr	3.05	0	65	GOLD	1221	-0.1%	-6.3%
Nikkei 225	21952.40	0.6%	-3.6%	GBP/USD	1.2754	-0.6%	-5.7%	Bund-10yr	0.34	-2	-9	BRENT CRUDE	60	-1.4%	-10.8%
STOXX 600	357.54	-0.2%	-8.1%	USD/JPY	113.6	0.0%	-0.8%	JGB - 10yr	0.09	0	4	LME X	2893	-0.3%	-15.4%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.48	1	-4
1-week	2.57	1	-4
1-month	2.70	0	-15
3-month	3.06	3	-6
6-month	3.16	2	-8

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	-1	-121
5Y RSD	3.64	0	-65
7Y RSD	4.17	0	-101

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.16	0	117

#### CDS

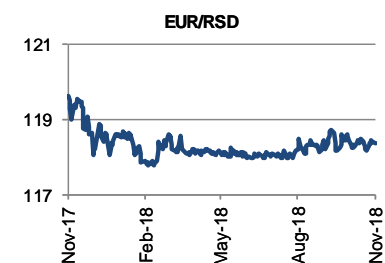
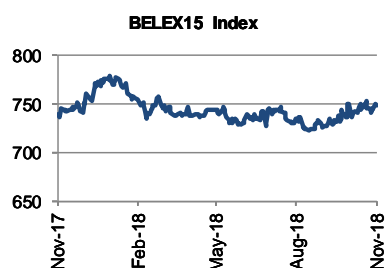
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	154	0	-8

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	749.0	-0.06%	-1.43%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.32	0.07%	0.49%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	0	161
1-month	3.08	0	121
3-month	3.2	0	115
6-month	3.42	0	115
12-month	3.58	0	126

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.06	0	68
5Y RON	4.44	0	66
10Y RON	5.00	0	68

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.46	0	146

#### CDS

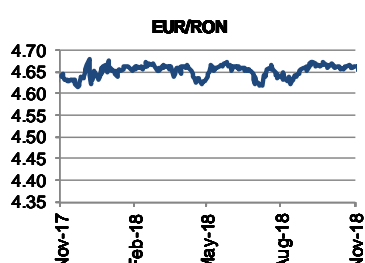
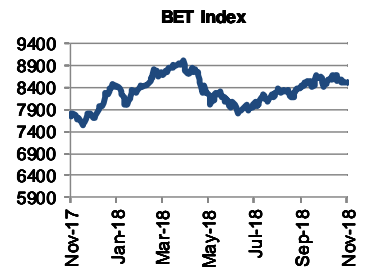
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

#### STOCKS

	Last	ΔD	ΔYTD
BET	8508.6	-0.08%	9.74%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6613	-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	1	0
5Y BGN	0.08	2	-7
10Y BGN	0.75	0	-22

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.07	-3	11
EUR Sep-24	0.64	0	6

#### CDS

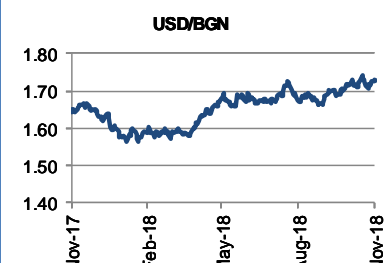
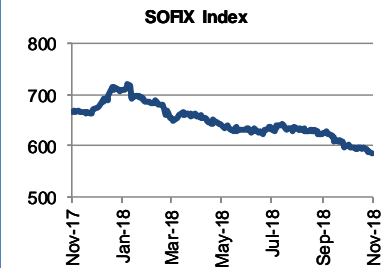
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-18
10-year	126	1	-16

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	584.2	-0.12%	-13.76%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7287	-0.11%	-5.74%



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

Data updated as of 10:36 EEST

Tuesday 27 November 2018

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