

Thursday 29 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: 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:** Mirroring the positive performance in Wall Street overnight, Asian equity indices ended in the black on Thursday following Fed Chairman Jerome Powell's comments yesterday that fed fund rates are currently "just below" neutral, in contrast to his comments at the beginning of October when he noted that "we're a long way from neutral at this point". Against this backdrop, the 10yr Treasury yield fell to 3.00% earlier today, its lowest level since September 2018, while the 2/10 yield curve flattened with the respective spread declining by ca. 2 bps to the 23 bps area. In FX markets, the EUR/USD increased to a four-session high of 1.1397, capitalizing on the US dollar's weakness amid an increased likelihood of slower US monetary tightening. Elsewhere, the GBP/USD was slightly weaker on the day hovering around 1.2776 at the time of writing, given increased uncertainty over whether UK Prime Minister Theresa May will finally secure a parliamentary approval for her Brexit deal.

**GREECE:** According to the Bank of Greece, in October 2018, the annual growth rate of credit to the private sector stood at -1.4% from -1.2% in the previous month. The monthly net flow of credit to the private sector was negative at €974 million, compared with a positive net flow of €628 million in the previous month. The annual growth rate of total deposits stood at 8.0% from 10.7% in the previous month, while the monthly net flow was positive at €399 million, compared with a positive net flow of €442 million in September 2018.

### SOUTH EASTERN EUROPE

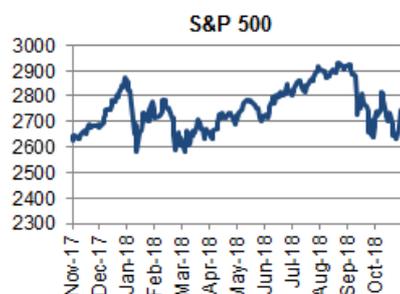
**CYPRUS:** Total bank deposits increased by €299mn in October, reaching €47.8bn

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the positive performance in Wall Street overnight, Asian equity indices ended in the black on Thursday following Fed Chairman Jerome Powell's comments yesterday that fed fund rates are currently "just below" neutral, in contrast to his comments at the beginning of October when he noted that "we're a long way from neutral at this point". Jerome Powell's speech added to the recent shift in investors' expectations for a more dovish Fed rate tightening path amid slower global growth and lingering trade frictions. Fed funds futures currently imply a 25bps rate hike at the 18-19 December FOMC meeting and c.40bps of additional rate tightening in 2019, less compared to the Fed's median expectation for 100bps cumulatively tightening over that period. Against this backdrop, the 10yr Treasury yield fell to 3.00% earlier today, its lowest level since September 2018, while the 2/10 yield curve flattened with the respective spread declining by ca. 2 bps to the 23 bps area. In Germany, the 10-yr Bund yield followed suit trading around a three-month low of 0.329% in European trade at the time of writing. In FX markets, the EUR/USD increased to a four-session high of 1.1397, capitalizing on the US dollar's weakness amid an increased likelihood of slower US monetary tightening. Elsewhere, the GBP/USD was slightly weaker on the day hovering around 1.2776 at the time of writing, given increased uncertainty over whether UK Prime Minister Theresa May will finally secure a parliamentary approval for her Brexit deal. Both the BoE and the UK government published yesterday their numerous Brexit scenarios, with the former warning that the UK economy would face a severe hit (bigger than it suffered from the global financial crisis a decade ago) in case of a "disorderly" Brexit scenario, with the GDP falling by -8.0% within a year, house prices by -3.0%, commercial property prices by -48.0% and the British pound by -25.0% to below parity with the US dollar. Looking at today's calendar, US October PCE report, October personal income and spending data, weekly initial jobless claims, October pending home sales and the November FOMC minutes lure market attention.

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### GREECE

According to the Bank of Greece, in October 2018, the annual growth rate of credit to the private sector stood at -1.4% from -1.2% in the previous month. The monthly net flow of credit to the private sector was negative at €974 million, compared with a positive net flow of €628 million in the previous month. The annual growth rate for the individual sectors of the domestic economy moved as follows: non-financial corporations -0.7% (from -0.4% in the previous month), insurance corporations and other financial intermediaries -1.3% (from -2.0% in the previous month), sole proprietors and unincorporated partnerships -1.9% (from -1.5% in the previous month) and individuals and private non-profit institutions -2.1% (from -2.0% in the previous month). The annual growth rate of total deposits stood at 8.0% from 10.7% in the previous month, while the monthly net flow was positive at €399 million, compared with a positive net flow of €442 million in September 2018. Deposits placed by the general government increased by €744 million, compared with an increase of €340 million in the previous month, while the annual growth rate stood at 24.4% from 48.9% in the previous month. Deposits placed by the private sector decreased by €346 million, compared with an increase of €101 million in the previous month and the annual growth rate stood at 6.2% from 7.4% in the previous month. Nevertheless, compared to December 2017, deposits in the private sector in October 2018 were higher by €5.1 billion or 4.1%.

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## 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

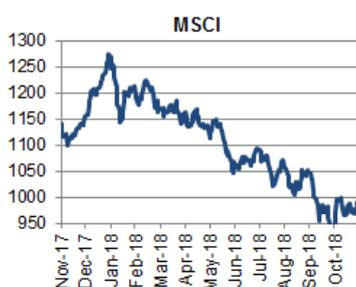
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* 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 Central Bank of Cyprus published yesterday the Monetary and Financial Statistics (MFS) of October. From a flow point of view, total deposits recorded a net increase of €299.7mn in October on top of a net decrease of €230.4mn in September against a net decrease of 176.3mn in August on top of a substantial net increase of 796.4mn in July and a net substantial decrease of €745.2mn in June, up from a substantial net increase €201.2mn in May and €2,386.4mn in April. The substantial increase of April can be attributed to the deposit placed by the Cypriot government to CCB equal to €2.5bn. The annual rate of expansion in deposits, which has been in positive territory since October 2015 with the exception of only March2018, stood at 3.8% YoY in October remaining unchanged compared to September and August vs. 4.5% YoY in July up from 3.9% YoY in June, 4.6% YoY in May, 3.1% YoY in Dec2017, compared to 6.2% YoY in Dec2016 and only 0.2% YoY in Dec2015. Total deposits reached €47.8bn in October up from €47.4bn in September against €51.1bn in August marginally up from €50.9bn in July compared to €50.2bn in June vs. €50.9bn in May, €50.5bn in April, compared to €49.0bn in December 2016 and €45.97bn in December 2015.

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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	2743.79	2.3%	2.6%	EUR/USD	1.1379	0.1%	-5.2%	UST - 10yr	3.01	-5	61	GOLD	1226	0.4%	-5.9%
Nikkei 225	22262.60	0.4%	-2.2%	GBP/USD	1.2788	-0.3%	-5.4%	Bund-10yr	0.33	-2	-10	BRENT CRUDE	58	-0.5%	-12.6%
STOXX 600	359.48	0.6%	-7.6%	USD/JPY	113.35	0.3%	-0.6%	JGB - 10yr	0.08	-2	3	LME X	2880	0.9%	-15.8%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.47	-1	-5
1-week	2.57	0	-4
1-month	2.70	0	-15
3-month	3.05	3	-7
6-month	3.16	2	-8

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.09	2	-119
5Y RSD	3.65	0	-65
7Y RSD	4.16	0	-101

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.19	-3	119

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

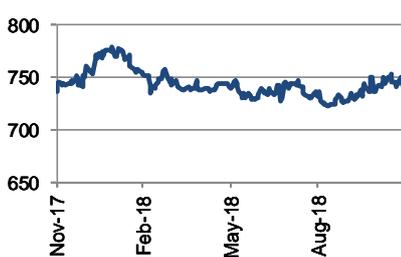
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	743.0	0.03%	-2.21%

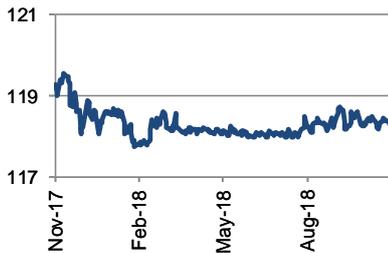
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.35	0.69%	0.47%

**BELEX15 Index**



**EUR/RSD**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.55	0	146
1-month	3.01	0	114
3-month	3.13	0	108
6-month	3.38	0	111
12-month	3.56	0	124

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	4.01	0	63
5Y RON	4.40	0	62
10Y RON	4.97	0	66

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	-1	-2
USD Jan-24	4.53	-4	153

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	105	1	15
10-year	149	1	16

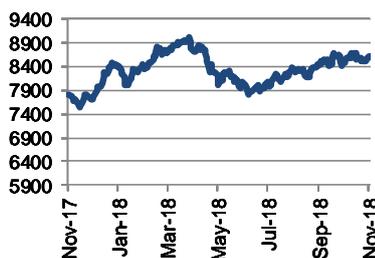
**STOCKS**

	Last	ΔD	ΔYTD
BET	8597.2	0.22%	10.88%

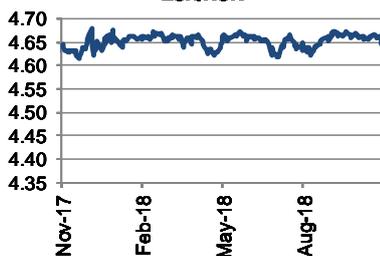
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6568	-0.14%	0.17%

**BET Index**



**EUR/RON**



**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	-0.06	0	0
5Y BGN	0.08	0	-7
10Y BGN	0.75	0	-22

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	0	11
EUR Sep-24	0.63	1	6

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	125	0	-16

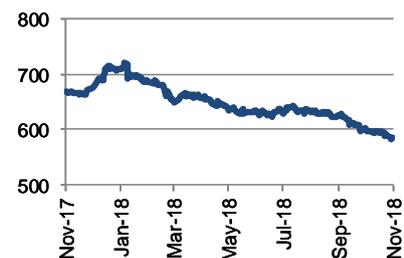
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	585.7	0.16%	-13.55%

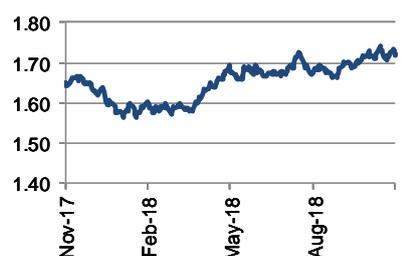
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7189	0.10%	-5.21%

**SOFIX Index**



**USD/BGN**



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

Data updated as of 10:18 EEST

Thursday 29 November 2018

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